

NEWS: INTERNATIONAL

Killer 'was the kindest man - he wouldn't hurt a cat. He had simply treated too many intifada victims'

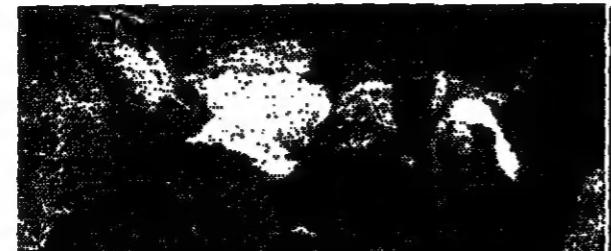
David Horovitz reports from Hebron in the aftermath of yesterday's prayer-time massacre

On the narrow slope leading down into Hebron from the Cave of the Patriarchs, four silver-coloured portable barrels, covered in blood, were drying in the winter sunshine. The trail of blood led further up the hill, to the huge Herodian-built entrance to the Cave. There, by the green entry doors, a sign in Hebrew, English and Arabic requested of worshippers: "Please preserve the sanctity of the site." A little after Sam yesterday that sanctity was shattered as never before.

Clad in his army reservist's uniform and carrying a Gail automatic rifle, Baruch Goldstein, a doctor who lived at the nearby Jewish settlement of Kiryat Arba, slipped past the sleepy soldiers on duty outside, and made his way into the tomb, filled with Palestinians just starting their early morning Ramadan prayers. In a shooting spree that witnesses said lasted at least 10 minutes, he murdered close to 50 Palestinians and wounded dozens more. In a telephone call of condolence and apology to the PLO chairman Mr Yassir Arafat last night, Israel's prime minister, Mr Yitzhak Rabin said Goldstein had tried to murder the fragile Israeli-Palestinian peace process.

Most of Hebron was deserted in the hours after the shooting, its stores shuttered, just a few elderly men, heads bowed, walking slowly through the market. But the streets were peppered with rocks and smouldering tyres - lingering signs of the violent clashes between Palestinians and soldiers that raged soon after the

A violent past



Some of the worst incidents of violence since Israel captured the West Bank and Gaza Strip in 1967:

- Oct 8 1990: Israeli police shoot dead 18 Arabs on Jerusalem's Temple Mount after a Palestinian protest flares into violence.
- July 8 1990: A Palestinian from the Gaza Strip seizes the steering wheel of an Israeli bus and sends it ploughing into a ravine, killing 16 Jews.
- March 11 1978: Arab guerrillas infiltrate into Israel from the sea, killing 37 and wounding 82 in an attack on a bus and other traffic.
- April 1974: 16 civilians and two soldiers killed by Arab gunmen entering Israel from Lebanon.
- May 30 1972: Three Japanese gunmen acting for the radical Marxist Popular Front for the Liberation of Palestine (PFLP) stood up at Tokyo's Lod Airport killing 25 and wounding more than 60. - People

shooting, before the army Palestinians. "We're at war with the Arabs. It's just a shame that a Jew had to die." Outside the tomb itself, small clusters of dead Palestinians milled around, anxious to recount the details of the massacre. When, periodically, soldiers came to shoo them away, smirking groups of young Jewish settlers took their place, their guns slung casually over their shoulders. "It's good, what happened," jeered one young settler at the

ever anybody stood up, there was more shooting." When the panicked Palestinians tried to flee, she went on, "the soldiers closed the doors".

Across town, at the Al-Ahali hospital to which many of the wounded were taken, Sharif Zahidah lay propped up in bed, the bloodstains on his pillow and sheets testimony to the bullet wound in his left side, perilously close to his heart. In the chaos when the shooting started, he said, "I thought at first it was coming from outside. But then I saw that my whole row of worshippers had collapsed. The man next to me was hit, and part of his brain fell on my face." At one point, said Zahidah, the gunman's weapon jammed. "A Palestinian who knows karate tried to attack him, but was shot by a soldier."

Eventually, he continued, the gunman was overpowered. "I think he was killed." Natshe Shahaan had been kneeling beside his brother Jamil, 48, the muezzin who had called the morning's prayers. Now Jamil's name is just another on the photocopied list of the dead, stuck to the window at the hospital's reception desk.

Walking through Hebron to the tomb, Lt-Col Yehuda Weinraub of the Israeli army spokesman, was hit on the head by a rock thrown from a rooftop. His white bandage slowly turning red, he insisted to reporters that at no point had soldiers opened fire. In fact, he said, countering the witnesses' assertions, there had been no soldiers inside the tomb; they were keeping a low profile in

difference to the Ramadan prayers. Lt-Col Weinraub was at a loss to explain why the soldiers outside had allowed Dr Goldstein into the Cave, and promised the most thorough investigation of the massacre.

Just a few hundred yards away through deserted streets, at the Beit Hadassah complex where several hundred of the most radical Jewish settlers maintain their symbolic presence in the heart of Hebron, Danny Hisni, a friend of Dr Goldstein, had his explanations ready. "The doctor," he said, "was the kindest man - he wouldn't hurt a cat." He had simply treated too many Jewish victims of the Palestinian Intifada. "He was always the first on the scene. A few weeks ago, two of his neighbours, from the Lapid family, were murdered. He had tried to save them. I think it was too much for one man. His opinions were very radical, but then there are people with radical opinions everywhere. You think, sometimes, that you want revenge,

but you never do it."

Determined to preserve Friday afternoon "normality," Mr Hisni was on his way to deliver gifts of food to mark the Jewish Purim festival before preparing for the Sabbath in the courtyard behind him. Small Jewish children were laughing in play, clad in fancy dress in the Purim costume, as though nothing out of the ordinary had been taking place just down the street.

In a basement at Beit Hadassah, a museum commemorates the 60 Jewish residents of Hebron killed by Arab mobs in 1929. It was their deaths, and the consequent severance of the Jewish presence in Hebron, that galvanised Jewish settlers to return to this 60,000-strong Arab town in the spring of 1968, months after the West Bank had been captured by Israel in the 1967 Six-Day War.

Since then, more than 120,000 Jews have followed their example and made homes in the occupied territories, but only the most ideologically-motivated settlers can survive here and in the Kiryat Arba settlement that overlooks the town, reviled as intruders by their Palestinian neighbours.

Barred from the Tomb of the Patriarchs for 700 years, the Jews have gradually established equal praying rights with the Moslems, the two communities tensely sharing the same place, at different times. The main hall serves as a mosque, two side rooms as synagogues. Except on Fridays, when Moslem prayer mats are laid out in all the rooms, and Jews are denied entry. Or

should be.

The scheme is likely to be on the agenda of a private meeting in Frankfurt this morning, of Mr Hirohisa Fujii, Japanese finance minister, and Mr Lloyd Bentsen, US treasury secretary, before a session of the Group of Seven finance ministers. Japan will also be seeking co-operation from its G7 partners to avoid another steep rise in the yen's value.

The plan to set a firm goal for a reduction in the surplus also ran into criticism from Mrs Manae Kubota, director-general of Japan's Economic Planning Agency, which draws up the government's economic targets.

It has managed to stick to

few of its own current account targets since the agency

started compiling them in 1955, she pointed out.

Mr Hata agreed that the government could not make a firm pledge on the surplus because of the volatility of exchange and interest rates. But, as long as Japan ran a heavy trade surplus with the US (\$55bn last year), "we cannot have understanding from the international community," the foreign minister said.

Mr Morihiro Hosokawa, prime minister, had hoped to have a market-opening package ready in time for the G7 meeting today, but officials argued they needed more time if they were to prepare plans of real substance.

The main headings include more deregulation (such as streamlined import procedures), more open governmental procurement, tougher anti-trust rules, and measures to promote imports and foreign investment.

Nancy Duvane adds from Washington: The Clinton administration had no immediate response to Japan's latest efforts to formulate a trade peace plan. However, Mr Mickey Kantor, US trade representative, issued a statement yesterday that their current estimate "That's their current estimate. What we need is to bring about a highly substantial reduction of the current account surplus over the next four years."

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US dismisses Tokyo target to cut surplus

By William Dawkins in Tokyo

Japan plans to set a target for cutting its record current account surplus, in what appears an inadequate attempt to defuse its trade row with the US.

The cabinet yesterday agreed to produce a market-opening plan by the end of March, including a goal proposed by Mr Tsutomu Hata, foreign minister, to reduce the surplus to 2.8 per cent of gross domestic product, or \$125bn (23.8bn) this year, from the estimated 3.1 per cent of GDP for the year to the end of March. The current account surplus was \$131.35bn in the last calendar year.

This goal - not a binding pledge - is already in the government's economic target for the coming year, published two weeks ago.

It received an instant dismissal from Mr William Donaldson, US ambassador to Japan: "That's their current estimate. What we need is to bring about a highly substantial reduction of the current account surplus over the next four years."

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West tries to maintain momentum for peace

By Mark Nicholson in Cairo and James Whittington in Amman

World leaders expressed shock and condemnation of the Hebron slaughter yesterday and urged that the atrocity should not be allowed to derail efforts to negotiate a peace agreement.

President Bill Clinton warned that the massacre would complicate the difficult work of peace. "It's terrible and I condemn it. It's a terrible human tragedy and it only complicates the difficult work of peace," he said at the White House.

Mr Warren Christopher, US secretary of state, spoke of his horror at the killing, and said it "underscores the imperative of accelerating the

negotiations" towards implementation of the declaration of principles signed between Israel and the Palestine Liberation Organisation last year.

He called for calm to prevent the "enemies of peace" from exploiting yesterday's tragedy. Mr Christopher also telephoned Mr Yassir Arafat, the PLO chairman, to urge "calm, reason and restraint".

Similar sentiments came from other capitals, with the French foreign ministry condemning the "hateful crime" and also urging "restraint" from all parties.

In neighbouring Jordan, the atmosphere was tense. An elderly British tourist, Mr Howard Long, of Purley in Surrey, was stabbed in Amman

hours after the massacre but not seriously wounded. Westerners have been advised not to stray away from the main tourist areas.

The US warned Americans travelling to Israel to stay out of East Jerusalem, the West Bank and Gaza. The State Department also cautioned Americans to exercise caution when travelling throughout the Middle East and Europe.

Angry Palestinian officials, however, said the slaughter in Hebron would "psychologically and practically" affect peace negotiations due to resume in Cairo early next week.

Mr Said Khamis, head of the PLO mission in Cairo, said Mr Arafat had called an emergency meeting of the executive committee of the PLO

central council in Tunis to discuss the future of the negotiations.

However, Mr Nabil Shaath, the chief Palestinian negotiator in the detailed talks on Israeli withdrawal, said yesterday "we are not contemplating interrupting the peace talks". He added: "We don't know about the schedule, but the peace talks will go on."

Describing the killings in Hebron a "major catastrophe", he said that it "clearly demonstrated that these settlers are, will be and always have been the major problem to a solution on the ground".

Mr Shaath said it was imperative the Israelis take concrete steps to assure the protection of Palestinians in the occupied territories. "They

have spent 75 per cent of the time in these talks discussing their security without considering that of our people," he said.

Longstanding Palestinian opponents of the Oslo agreement were quick to claim that the killings showed that the PLO-Israeli deal was unworkable. "It shows that peace with the Zionists is impossible," said a statement from Hamas, the militant Islamic Palestinian group which also vowed to avenge the killings and "punish" Israeli troops and settlers.

Other "rejectionist" Palestinian groups, including the Democratic Front for the Liberation of Palestine and the Popular Front for the Liberation of Palestine, both based in Damascus, also vowed vengeance.

By Emma Tucker in London and Quentin Peel in Bonn

Finance ministers from the Group of Seven leading industrialised countries are to meet near Frankfurt today, to discuss the crisis in the Russian economy. This is an intractable, however, that their discussions are likely to focus as much on their own problems, of unemployment and lacklustre growth.

The meeting was called last month by Mr Theo Waigel, German finance minister, to find out, as one source put it, "what the hell Russia is up to".

Since then, turmoil has hit the world's securities markets, a trade war is threatened between the US and Japan, and there is rising concern about the German economy, prompting the ministers heading for the meeting today to add the global economy to their agenda.

The G7 finance ministers - and central bankers from the US, Japan, Germany, France, Italy, the UK and Canada - will confer among themselves before meeting Mr Sergei Dubinin, Russian finance minister, Mr Alexander Shokhin, economy minister and Mr Victor Gerashchenko, central bank governor.

They are expected to take a tough line with the Russians, in stressing the need for concrete measures to control the government's budget deficit and money supply.

Although the G7 delegates are keen to support the continuation of economic reform, they are adamant that a reliable and predictable economic policy is essential, above all to attract foreign investment and not simply to get more public finance from the G7 governments.

Mr Waigel, who will be chairing the meeting, made clear in advance that there are no plans for additional finance from the G7 group, but that transfer of funds, already promised at the Tokyo summit last year, depends on Moscow's further progress with its reform programme.

Given the confusion emanating from the former Soviet Union, and the difficulty for the finance ministers of producing anything meaningful, the US-Japan trade row threatens to hijack the agenda. No communiqué is planned.

The US, which sees itself as the saviour of global economics, is aggrieved that Japan and Europe have dragged their feet while Washington, in the

Clinton urges Congress to protect Moscow aid

By George Graham in Washington

President Bill Clinton yesterday urged senior members of Congress not to cut off aid to Russia, in response to the arrest in the US of a senior Central Intelligence Agency officer on charges of spying for the Russian intelligence service.

Seeking to fend off calls for an immediate freeze of US assistance, Mr Clinton called Republican and Democratic leaders to the White House to persuade them that aid to Russia, for such as reducing nuclear weapons and promoting economic reform, remained in the US national interest.

Senior members of Congress are increasingly realising that not only the overall amount of aid to the states of the former Soviet Union but also the pro-

portion that goes to Russia.

"While we all agreed that the spy incident would not, in and of itself, warrant reconsideration of aid, there are a lot of other things that do. The US-Israeli deal was unworkable. It shows that peace with the Zionists is impossible," said a statement from Hamas, the militant Islamic Palestinian group which also vowed to avenge the killings and "punish" Israeli troops and settlers.

Other "rejectionist" Palestinian groups, including the Democratic Front for the Liberation of Palestine and the Popular Front for the Liberation of Palestine, both based in Damascus, also vowed vengeance.

They have spent 75 per cent of the time in these talks discussing their security without considering that of our people," he said.

The negotiations between the political parties over electoral reform, which have focused on the make-up of electoral tribunals but include the issue of foreign observers, seem to have picked up momentum.

The official added that peace talks in Chiapas, aimed at formally ending the uprising there, were going much more rapidly than expected. His view echoes statements by Mr Manuel Camacho, the government's peace envoy in Chiapas, who said the round of talks might finish tomorrow, after which rebel leaders would consult their supporters.

The rebels said the government has promised electricity, health and education services to indigenous people's villages, compensation for the relatives of victims killed in the 56-day-old rebellion, and a commission to ensure compliance with an eventual peace accord.

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the Annual General Assembly of Shareholders

will be held

on 28th March, 1994 at 10.00 am
at the offices of the Bank in the IPC Building,
54 Koszykowa Street, Warsaw.

The agenda of Assembly is as follows:

- 1 • Opening.
- 2 • Election of a Chairman of the Annual General Assembly of Shareholders.
- 3 • Confirmation, as required under the Commercial Code, that the Annual General Assembly of Shareholders has been called in the proper legal manner, and that the Assembly has the authority to make legally valid and binding decisions.
- 4 • Report of the Board of Directors on the performance of its duties in 1993, and a vote of acceptance.
- 5 • Report of the Supervisory Board on the performance of its duties in 1993, and a vote of acceptance.
- 6 • Review and adoption of the Report of the Board of Directors on the Bank's performance in 1993.
- 7 • Review and adoption of the Bank's Balance Sheet as at the end 1993.
- 8 • Review and adoption of the Bank's Profit and Loss Account for 1993.
- 9 • Review of Board of Directors' proposal for the distribution of net income.
- 10 • Approval of the distribution of net income.
- 11 • Approval of the resolution to designate the reserve capital of 40,000,000,000 PLN for the activities of the PDB's Brokerage Office.
- 12 • Changes in PDB's Charter.
- 13 • Voting of resolution to increase the Bank's authorised share capital.
- 14 • Other business.
- 15 • Close of meeting.

Drafts of documents mentioned in points 1 to 13 of the Agenda will be available for examination by Shareholders at the Head Office of the PDB at 47/49 Zuratwia Street, Warsaw, Poland, 14 days before the date of the General Assembly.

President of the PDB
Wojciech Kostkiewicz

German groups enter TV venture

By Quentin Peel in Bonn

Bertelsmann and KirchGroup, Germany's two largest investors in private television, are to join Deutsche Telekom, the state telecommunications monopoly, in a bid to become the dominant distributor of the next generation of digital television services in the country.

The three have signed a memorandum of understanding to form a joint venture called Media Service, which will offer to manage and distribute new TV channels, as well as specialist telecommunications services, on Deutsche Telekom's cable television network.

The plan is to establish a single service company to distribute new Pay-TV programmes, shopping-TV and other specialist channels on a ready-made communication network which already includes 14m homes in Germany.

Initial investment is expected to be around DM200m (£77.5m), and the joint venture is intending to develop its own decoder system, so that it can offer clients not only the cable distribution, but also a single sophisticated billing system, charging viewers according to the television they watch.

The alternatives to cable distribution of digital television would be satellite distribution or terrestrial broadcasting, but Deutsche Telekom is clearly

keen to exploit its existing monopoly position in German cable TV. Only in east Germany is there very low cable penetration in urban areas, with satellite broadcasting filling the gap.

The deal brings together the Bertelsmann media empire, whose television interests include RTL, Germany's most profitable private broadcaster, and KirchGroup headed by Mr Leo Kirch, who is a leading shareholder in the Axel Springer publishing group.

Although the two groups are normally fierce rivals, they are both shareholders in Premiere Pay-TV, whose technical expertise and marketing skills -

said in a statement. That commitment is intended to ensure that the new venture does not fall foul of Germany's strict controls over the broadcasting market, which forbids any one company from a majority shareholding in more than one station.

The three founders are adamant that they are not seeking to create a monopoly over distribution of future digital television services in Germany.

They said they were happy to accept further shareholders with minority stakes in the joint venture, which will be founded on April 1. It will be based in Berlin, and is intended to start operation by the middle of the year.



French farmers present prize bulls in front of the Eiffel Tower yesterday. The farmers are gathering in readiness for the opening of the annual agricultural fair which opens on Sunday.

NEWS IN BRIEF

US and Japan settle tariff cuts

The US and Japan yesterday said they would deliver to Gatt by their final tariff schedules under the Uruguay Round of global trade talks, ten days after the official deadline of February 15, writes Frances Williams from Geneva. The two other members of the Quad group of leading trading nations - the European Union and Canada - submitted their tariff schedules this week. Though US officials have blamed Washington's delay on technical problems in compiling the 1,000 page long schedule, it follows a row with Japan over US withdrawal of tariff offers on some industrial electronics items. Tokyo disputes US claims that these offers were conditional on further Japanese tariff concessions on wood, white spirits and non-ferrous metals, but now says it will not renege by adjusting its own offer. This has raised hopes that the dispute may be quietly laid to rest. Other Gatt members who have not already submitted tariff schedules are expected to do so shortly. Ministers meet in Marrakesh in April to sign the Uruguay Round accords.

France plans presidential primary

Mr Charles Pasqua, the French interior minister, said yesterday he intended to present a bill enabling French political parties or coalitions to hold US-style national primary elections to select their presidential candidates, writes David Buchan from Paris. Responding to growing tension between rival presidential contenders within the ruling RPR-UDF coalition, Mr Pasqua told *Le Figaro* newspaper he wanted to prevent a recurrence in next May's presidential election of the split in the conservative vote that put President Mitterrand in the Elysée in 1981 and 1988.

Greek finance minister chosen

Greece's finance undersecretary, Mr Alexandros Papadopoulos, was promoted to finance minister yesterday, replacing Mr Giorgos Gemimatas, writes Katerina Hope from Athens. However, Mr Gemimatas, who has cancer, will stay as economy minister, a post he has held since last October. The changeover is likely to delay tax legislation due to go before parliament this month, heightening concerns that Greece's rising public sector deficit is going to exceed this year's target of 12.9 per cent of gross domestic product. Mr Papadopoulos will also need to tackle 7.5m disputes over tax liability, some going back more than 10 years. The finance ministry estimates that settlement could raise an additional Dr300m (£1.2bn) in revenues this year.

Italian left wants centre alliance

Mr Achille Occhetto, the leader of Italy's former communist PDS party, (left) will today try to assemble a loose alliance with centre parties to counter rising electoral support for Mr Silvio Berlusconi, the media magnate, writes David March. Speaking in London as the election campaign opened, Mr Occhetto forecast a "lightening future" for Italy if Mr Berlusconi's right-wing Forza Italia movement wins. Mr Occhetto used his visit, arranged in association with the Schroders banking group, to discuss his party's economic policies with UK-based industrialists and fund managers. He stressed yesterday that, if elected, he would continue the policies of Mr Carlo Azeglio Ciampi aimed at cutting the budget deficit and reforming public administration.

Pakistan wins \$2.5bn aid

Pakistan's foreign aid donors yesterday praised its recent efforts to improve public finances and to privatise state companies, and granted Islamabad's request for \$2.5bn in fresh assistance, of which \$1.3bn will be provided in 1994-1995, writes David Buchan from Paris. Meeting for the first time since April 1992, the 13 western governments and multilateral agencies making up the Pakistan aid consortium endorsed the country's economic reforms which had remained unaffected by the change in government four times in seven months last year.

Burma guerrillas end 30-year fight

Burma's military junta has signed a ceasefire agreement with the Kachin Independence Organisation, the country's biggest guerrilla group, ending more than 30 years of fighting in the far north of the country, writes Victor Mallet from Bangkok. Lt-Gen Khin Nyunt, the most prominent member of the junta, hailed the deal as "an auspicious day" for Burma. But the KIO, said the deal covered only military matters, such as troop movements, and did not imply an immediate start to political negotiations.

Peacekeepers close in on Tuzla

United Nations peacekeepers yesterday moved closer towards opening Tuzla airport in eastern Bosnia which has besieged by Bosnian Serb forces, writes Judy Dempsey. Nine German Leopard tanks, which can withstand mortar and artillery strikes, reached Tuzla as part of the UN's efforts to re-open the airport by March 7. The move coincided with an announcement by the Russian parliament to send an additional 300 peacekeeping troops. Mr Vitaly Churkin, Russia's deputy foreign minister and Moscow's special envoy to Bosnia, said the decision would "symbolise Russia's growing central role in a Bosnian settlement."

Mandela to meet Buthelezi

Efforts to avert civil war in South Africa are to reach the highest levels next week when Mr Nelson Mandela, leader of the African National Congress, meets Chief Mangosuthu Buthelezi, head of the Zulu-based Inkatha Freedom Party, writes Patti Waldemer in Johannesburg. The surprise meeting, announced last night, is the first between the two men since constitutional negotiations deadlocked and Chief Buthelezi announced his boycott of the April elections. Chief Buthelezi insists that only such a meeting of leaders can resolve the impasse, but past encounters between the two men have yielded little.

Belgian National Bank yesterday cut its central rate to 6.40 per cent from 6.55 per cent. Money market dealers welcomed the cut, the second in a week, seeing it as a bid to pacify jittery markets.

Fears of 'negotiating crunch' at enlargement talks

By David Gardner in Brussels and Hugh Carnegy in Helsinki

Ministerial talks on enlargement resumed in Brussels last night amid dimming hopes that terms of entry into the European Union for Austria, Norway, Sweden and Finland can be reached by the deadline of Monday midnight. "There is a genuine negotiating crunch coming" over this weekend, one EU ambassador forecast yesterday.

Last night's talks centred on agriculture and fisheries. All but the

Swedish government are unhappy with EU proposals for long-term aid to Arctic and Alpine farmers, which the applicants would largely have to fund themselves.

They are also opposed to immediate realignment of their far higher farm prices to EU levels, and instead want border levies to iron out the price difference. The European Commission and, so far, a majority of the 12, say such frontier controls would compromise the border-free single market.

The UK argues that a "big bang" on farm prices for the would-be members

could jeopardise the referendums on entry in three of the four applicant countries. They foresee the EU having to pay too much of the compensation for the farm price cuts.

Norwegian fish and EU lorry traffic through Austria's Alpine passes are far more intractable issues, and could sink the talks. Austria wants to keep restrictions on EU truck transit through the Alps for 10 more years, rather than three as the Union insists.

The 12 were last night trying to agree a common line on fish, which accommodates Spain's demand to

catch 14,000 more fish in Norwegian waters, and French-led demands for restrictions on incoming fish products from Norway.

Sweden, which has fewer differences with the EU over the central issues of agriculture, regional support and fisheries, also made clear it

would consider signing an accord before its Nordic neighbours if it had agreed terms but Norway and Finland had not by the March 1 deadline set by Brussels for the completion of the accession talks.

Following a meeting in Helsinki of

the leaders of the three countries, Prime Minister Esa Aho of Finland and Mrs Gro Harlem Brundtland, his Norwegian counterpart, criticised the EU's proposals to limit regional support to remote Arctic areas and for not meeting their demands for special treatment of Nordic agriculture.

But Mr Carl Bildt, the Swedish prime minister, stressed that the talks were being conducted bilaterally and Sweden was anxious to conclude a deal with Brussels. "Each country will have to decide for itself," he said.

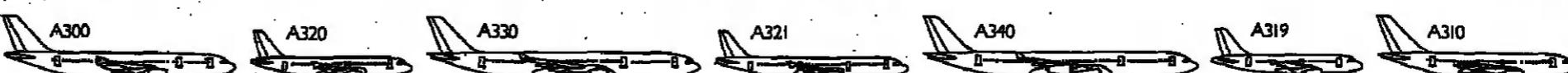
Not yet on board, Page 11

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TAKING THE WORLD VIEW



THE MALAYSIAN TRADE BAN

Malaysia's ban on contracts for British companies in protest at suggestions of corruption by the UK media has taken John Major's government by surprise and doubled its embarrassment over the Pergau dam affair. The clash highlights the divergence of approach of western democracies and Asia's fast-growing emerging economies

MPs will press investigation despite row

PERGAU PROJECT

By Robert Peston, Jimmy Burns and James Blitz

UK businessmen and the Malaysian government have been united in complaining about British press coverage of the Pergau dam affair in recent days.

But despite their protestations, the British media and MPs will continue to press Mr John Major's government on an issue they regard as having legitimate public interest.

Mr Douglas Hurd, the foreign secretary, will next Wednesday be cross-examined on Britain's aid for the Pergau dam by the House of Commons Foreign Affairs Committee.

MPs will quiz Mr Hurd on his

decision in July 1991 to approve a £234m grant to the Malaysian government for the hydro-electric dam - the largest sum for a single scheme under the Overseas Development Administration's Aid and Trade Provision - against the advice of the civil servant in charge of aid policy.

More crucially, they want to find out whether, in their zeal to win defence contracts with Malaysia, ministers broke foreign office guidelines prohibiting the linking of aid to arms sales.

The UK grant for the dam had been negotiated at around the same time as a £1bn defence package was signed by Lady Thatcher, then prime minister, and Dr Mahathir Mohamad, the Malaysian prime minister.

The package, which includes

sales by GEC and British Aerospace, remains shrouded in secrecy but it is thought to include the supply of fighter aircraft and the construction of military command and logistics centres.

Mr Hurd said yesterday the aid and defence deals had been briefly "entangled" for three months in 1988, and were "then pursued separately." GEC also said yesterday there was no linkage between the defence deal and Pergau, even though it had a share of both contracts.

Questions about the deal were first raised last October when the National Audit Office, the government's accountancy watchdog, issued a report on the project. It revealed that ODA officials had concluded that on commercial terms, the Pergau project was "a very bad

buy" and a burden on Malaysian consumers.

The NAO said that funding arrangements chosen by the government would add at least £55m to the aid provided by the UK taxpayer over the 14-year life of the project. It would also mean Malaysians paying £100m more in electricity costs than cheaper alternatives.

Since then, the foreign office has admitted that before Lady Thatcher concluded the defence deal, her then defence secretary, Lord Younger signed a protocol in March 1988 which - in the foreign office's words - "briefly linked arms and aid." It is understood that in the protocol aid was offered as a specific percentage of the defence deal.

Downing Street officials said last week this was an "unfortunate

error" by officials advising Lord Younger. Mr Hurd has repeatedly claimed that the deals were "delinked" within three months, and that Malaysia was informed that there could be no formal package encompassing the two.

Nevertheless members of the FAC want to ask Mr Hurd several questions next week:

• Is it credible to say that the deals were "delinked" just because they were not formally pursued in a single package?

• Why did Mr John Major, as prime minister, give the final go-ahead for cheques for the project to be signed in February 1991?

• Is there any connection between the securing of the defence deal and the issue of public interest immunity certificates preventing the release of foreign office telexes in

the trial of Mr Lorrain Osman, a Malaysian businessman?

Members of the FAC have asked to see the full text of a letter sent to Dr Mahathir on August 8 1988 by Baroness Thatcher. She confirmed the aid deal, but foreign office officials say that at the end of the letter she "looked forward to Dr Mahathir's visit to Britain in September 1988, when she hoped that the memorandum of understanding on the defence package could be signed."

It is also understood that Baroness Thatcher sent memoranda to Lord Younger and other ministers in the spring of 1988 raising deep concern over the linkage of the deals. How much light do these throw on the decisions that were finally taken?

The overriding political issue will

be the extent to which foreign policy factors as well as wider commercial considerations overrode aid policy, and where in the final analysis the UK national interest lay.

The Malaysian government has argued that it was an important project as part of their programme to diversify their sources of electric power. BICC and Trafalgar House, the lead contractors on Pergau, also argue that the project will prove economically viable in the longer term.

Mr Hurd's defence is that the deal was crucial in getting a more favourable trading relationship for the UK and Malaysia. He has also argued that he had no choice but to stand by commitments made by previous ministers in Baroness Thatcher's government.

'Arrogance' of west riles a maverick

MALAYSIA TODAY

By Kieran Cooke

To many in the west, Dr Mahathir Mohamad might seem a maverick. The Malaysian prime minister's action against Britain might seem out of proportion to the offence Malaysia says the British media has committed.

Dr Mahathir made out spoken attacks on the west on a range of issues. He, and Malaysia generally, have gained a reputation as difficult to deal with. Dr Mahathir does not care.

"Sometimes you have to be a bit notorious to be famous," said Dr Mahathir recently. But at the same time the Malaysian prime minister has shown himself sensitive to criticism.

Despite Dr Mahathir's firm grip on power, reports do circulate of large scale financial scandals and pay-offs. A government anti-corruption agency is widely perceived as ineffective.

Politics and business are closely interlinked in Malaysia: Dr Mahathir's United Malay National Organisation (UMNO), the dominant political party in Malaysia, exercises enormous power over the corporate sector.

Foreign companies operating in Malaysia find that connections are all important to winning business deals. The concept of conflict of interest between state and corporate sectors rarely applies.

But behind Dr Mahathir's attacks on the west, there is another message: Malaysia, and other fast developing countries in east Asia, are growing increasingly intolerant of what they consider to be the patronising and arrogant behaviour of the west.

"We believe the foreign media must learn the fact that developing countries, including a country led by a brown Moslem, have the ability to manage their own affairs successfully," said Mr Anwar Ibrahim, deputy prime minister, yesterday.

Malaysia's economy has grown more than 8 per cent in each of the past six years. The Kuala Lumpur stock exchange is one of the biggest in east Asia. Malaysia makes its own cars and is a leading computer parts manufacturer.

Economic success has bred confidence, some would say arrogance. Dr Mahathir believes in strong leadership.

He rejects western ideas of press freedom. He attacks western attitudes on human rights questions. He rails against what he perceives to be - as in this instance - interference in Malaysia's internal affairs.

Dr Mahathir has some powerful supporters. Indonesia and Singapore and China would have very similar views.

Within Malaysia the prime minister probably has more to gain than lose from this fracas. While Dr Mahathir is perhaps not liked by all Malaysians he is respected by many. They see him as the great moderniser - the man who has propelled the country towards industrialisation and greater prosperity.

The Malaysian opposition is small and ineffective. But it has created some government angst by questioning senior officials about British media allegations of corruption in high places.

The Malaysian media is very carefully controlled and the message that Dr Mahathir, and the Malaysian people, have been insulted by the British press is being pressed home.

With general elections likely this year, Dr Mahathir might be hoping the move against Britain will rally domestic political support. But this should not be overemphasised. Dr Mahathir's national front coalition would appear certain of victory in any poll.

Dr Mahathir is not a man for turning. It took more than six years for Britain to persuade the Malaysian leader to change his "Buy British" policy of the early 80s. A personal friendship which developed between Dr Mahathir and Mrs Margaret Thatcher, the former British prime minister, was largely responsible for healing the country.

But Dr Mahathir and Mr Major are not close. Mr Major was angered by a forthright attack on British policy on Bosnia made by Dr Mahathir during a visit to Kuala Lumpur late last year. Bosnia is a subject on which Dr Mahathir holds very strong views: little common ground seems to exist between the two leaders.

It is very difficult to see how relations can be brought back to normal. Yesterday Mr Anwar said he was not expecting or seeking any apologies from the British government. He seemed at a loss to suggest what could be done. But he was clear that Malaysia would continue with its action against British companies.

Malaysia shuts the door



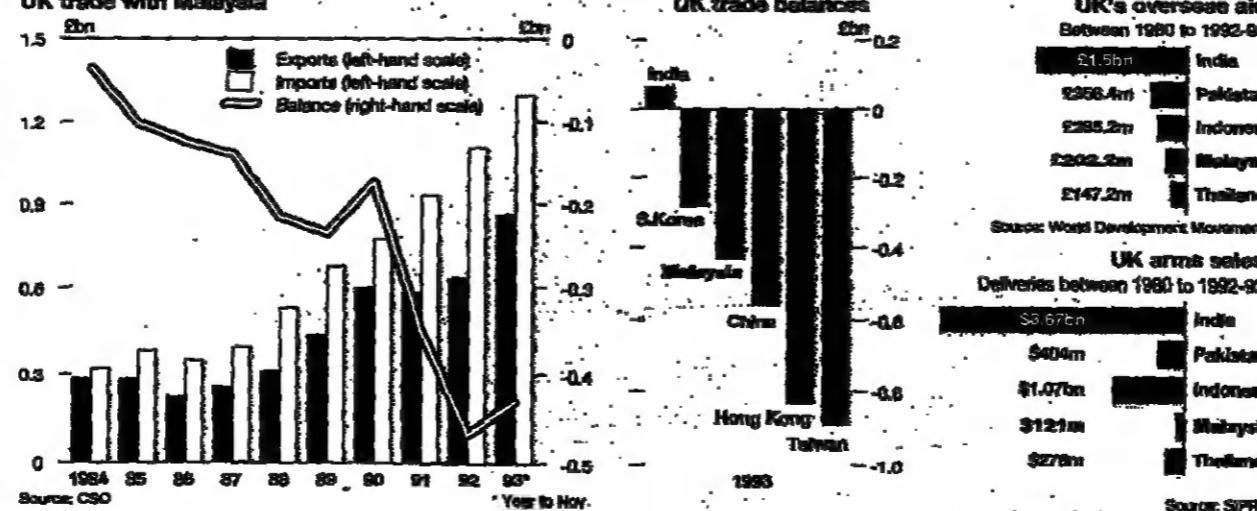
Big British projects - arms deals will suffer

Project	Value	Contractor
Serdang power station	£220m	Balfour Beatty, Trafalgar House & Marubeni (Japan)
Kuala Lumpur Int'l Airport, Sepang development plans	£220m (of which development plans £20 and £20m)	Balfour Beatty, Trafalgar House, GEC, Marubeni (Japan) & Gammon
GMR Sepang airport	£220m	Balfour Beatty
Light rail system, Kuala Lumpur	£220m private finance	Taylor Woodrow, AEG Westinghouse (Germany)
Sibu airport	£230m	John Laing, Yeo Tong Lay (Malay)
Twelve hospitals	£230m	John Laing
Serdang power station	£240m	John Laing
Petaling Geling power station	£240m	John Laing
Two gas turbine power stations at Petaling & Pekan	£240m	John Laing

Major construction contracts under way in Malaysia involving UK contractors:

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Trade, aid and arms: where Malaysia fits in



Honeypot of as much as £4bn 'down the drain'

TRADE PATTERNS

By Kieran Cooke

One Kuala Lumpur based British businessman had a straightforward reaction to events of the last few days.

"It's terrible, terrible. Three years of negotiations down the drain. I'm going to get drunk."

It is hard to over-estimate the effect of yesterday's Malaysian government action against British companies. Over the past six years, Malaysia has been a honeypot for British business.

Mr Anwar Ibrahim, the deputy prime minister and finance minister who made yesterday's announcement, said up to £161bn (£4bn) could be affected by the move.

John Laing, the British construction and engineering company, has had its regional HQ in Malaysia for the past eight years. With its Malaysian partners Laing is involved in a £212m hotel building programme, a £20m airport project in East Malaysia and has recently invested £1m in a power station project.

But Laing will now have to wave goodbye to possibly multi-million pound contracts to build an extensive army barracks complex and a private university complex in Kuala Lumpur. Negotiations on the barracks have been going on for four years.

For Laing and companies like it, Malaysia was a shop window to the region. Malaysia is a regional pioneer in building, operating, transfer contracts and in privatising its power sector. British Gas, the National Grid, John Brown, Rolls Royce and others had hoped to use their involvement in the Malaysian power sector as a springboard in the world's fastest growing economic region.

The most cruel blow has been dealt to the group of companies involved in the Anglo-Japanese consortium working on a new £121m (£30m) airport south of Kuala Lumpur. Trafalgar House, Balfour Beatty, GEC, Marubeni (part of G-Mate) and Gammon - in partnership with Marubeni of Japan - had been assured of the bulk of the work.

Yesterday Mr Anwar said the British companies involved had already been informed that they would be awarded no contracts worth £1bn which could secure 25,000 UK jobs.

Mr Anwar's answer on those negotiations was unequivocal.

"Virtually all those contracts will not be approved," he said.

further work on the project.

The airport, due to be completed before 1998 when Malaysia is due to host the Commonwealth Games, could be delayed by the forced British withdrawal. The cost could also rise. Malaysia does not seem concerned.

There are many grey areas in the midst of this fracas. Mr Anwar said compensation would be paid in some instances and all existing contracts would be honoured. But he said the Malaysian government was under no obligation to abide by memorandums of understanding and letters of intent with British companies.

However some contracts already signed are the first phase of more extensive agreements. Mr Anwar said Malaysia would still be taking delivery of 28 British Aerospace Hawk aircraft - a deal which formed part of the controversial 1988 MOU on defence sales agreed between Dr Mahathir and Mrs Thatcher.

But question marks arise over a comprehensive maintenance and technology transfer agreement allied to the Hawk contract. Clearly some agreements are going to be very difficult to unwind.

Mr Anwar said only government contracts will be affected by the Malaysian move, but many private deals are also likely to be in jeopardy.

Many of Malaysia's biggest companies - some involved in joint ventures with British companies - are closely connected with Dr Mahathir's United Malays National Organisation (UMNO), the country's dominant political party.

Britain does have some leverage. Malaysia exports well over £1bn worth of goods to Britain each year and the trade surplus is substantially in Malaysia's favour. Britain is the main export market for the Proton, the Malaysian car manufactured in conjunction with Mitsubishi of Japan.

But confident in its own economic success, Malaysia is not concerned about the fallout. When John Major visited Kuala Lumpur last September, he announced that British companies were negotiating contracts worth £1bn which could secure 25,000 UK jobs.

Mr Anwar's answer on those negotiations was unequivocal.

"Virtually all those contracts will not be approved," he said.

business confidence in the relationship.

Aides to Mr John Major know that there would be great political dangers for the British prime minister if he was forced to deliver anything approaching an apology to the row.

Whether Dr Mahathir will push the dispute that far is not clear. But his brinkmanship with Australia shows his determination to avenge anything seen as a slur. "Sometimes you have to be a bit famous," he said last year. "In order to be known, you have to be nasty."

THE MALAYSIAN TRADE BAN

Companies fear losing a shop window

IMPACT ON BRITAIN

By Tony Jackson and Andrew Taylor

The Malaysian government's boycott of British goods has caused widespread alarm among UK companies. The main threat, however, seems largely confined to three industries: construction, defence and power generation.

For the UK economy as a whole, the sums involved are fairly small. Malaysian government's imports of British goods total about £500m (£42.5m) a year, or less than 0.5 per cent of total UK visible exports.

However, UK companies also undertake several billion pounds worth of contract work in Malaysia on projects which range from power plants to airfields. More important, some British companies argue, that Malaysia is an important shop window for their activities in the fast-growing and crucially important Asia-Pacific market.

Officially, the ban on British goods extends only to government orders, with the private sector left free to buy as it chooses. However, British companies with experience of the region are nervous that the private sector might follow the government's lead.

Construction companies are alarmed at the prospect of being excluded from one of Britain's biggest Far East construction markets outside Hong Kong.

British contractors are working on projects worth more than £1bn in Malaysia. Orders worth several times this amount are in the pipeline. The largest is the new \$3.5bn Kuala Lumpur International airport at Sepang, where a consortium of Trafalgar House, Balfour Beatty and GEC from the UK, and Marchen of Japan and Gammon of Hong Kong,

has produced a master plan and development studies.

The consortium, under a memorandum of understanding with the Malaysian authorities, had been expected to manage the airport construction. This contract now may have been lost along with other opportunities to bid for work on the project. Balfour Beatty, separately, has won a £70m civil engineering contract for the airport.

Other construction contracts pending include £500m of rural water projects (North West Water has already won a £125m contract involving the privatisation of the country's waste water system); the £400m Sultan Salahuddin thermal power station in the south of the country; a £160m steel works at Gammon; and several hundred million pounds of road contracts, including some privately financed toll-motorway sections.

Taylor Woodrow has previously advised on the private financing of sections of the strategic north-south highway, Costain, which has no contracts in Malaysia, said yesterday that it was bidding for a £12m section of the country's east-west highway. It was bidding for other work in the country worth £1.5bn including £500m worth of work on the new airport.

Both Balfour Beatty and Trafalgar House are involved in the controversial £47m Pergau contract which is being built by a consortium of Trafalgar House and Balfour Beatty from the UK and Kerjaya, a Malaysian company.

Trafalgar House regards Malaysia as an important base to break into other south-east Asian markets. It is in the process of establishing a steel fabrication plant in a joint venture with Edaran Otomobil Nasional to supply steel for construction to the region.

British industry reacts: disappointed and the press gets some blame

BAA

"We have been working on the AJAC Kuala Lumpur airport project for two and a half years and were expecting quite a few major contracts to follow on from our involvement. These will obviously not now materialise." Balfour Beatty



"We want to work with Malaysia because it has high-quality people and the economy is going very well." Alan Jones, chairman, Westland helicopter group

"Malaysia is a very important country to us. BAE has won some £500m-£600m worth of defence business in Malaysia. It is our third biggest defence export market after Saudi Arabia and Indonesia." British Aerospace

"We were hoping that there would be future business opportunities and we felt we were in a good position to bid for future contracts." BAA, which was eyeing possibilities to win airport terminal management business as well as airport retailing activities

"I support a free press. But in other countries we print facts rather than innuendo." Mike Hoffman, chief executive, Thames Water

"The British press ought to be proud of what it has done [in bringing to light the link between aid and trade]." Andrew Neil, editor, Sunday Times

Sharp attack on UK ministers by MPs

UK REACTION

By David Owen

believe that expenditure of £1.5bn of taxpayers' money was being promised to a government at the same time as an arms deal was being negotiated with that government and there was no link between them", he asked.

It would never be possible to build a successful economy on "squidif" if not illegal" deals like this one.

Mr David Steel, Liberal Democrat foreign affairs spokesman, said relations with Malaysia would "undoubtedly have been damaged" if Britain had backed out of the deal. Mr Hurd had looked at the project in the light of commitments to continue to assist Malaysian development and the wider context of bilateral relations between the two countries. It was the government's task to promote the national interest, including exports and jobs.

Mr Alastair Goodlad, foreign office minister, said relations with Malaysia would "undoubtedly have been damaged" if Britain had backed out of the deal. Mr Hurd had looked at the project in the light of commitments to continue to assist Malaysian development and the wider context of bilateral relations between the two countries. It was the government's task to promote the national interest, including exports and jobs.

Mr Goodlad said there was no good reason for the Malaysians to make a connection between British press reporting and the conduct of trade.

Row may sour business in Asia

BRITAIN IN ASIA

By Alex Nicoll

Is the British government fumbling away the prospects for UK business in the world's most dynamic economies?

The nerves of British businessmen who see European, Japanese and US counterparts forging ahead in Asia, often with substantial collaboration from their governments, can only have become more frayed after a week in which official relations with Malaysia and China have dramatically deteriorated.

The announcement yesterday that British companies will not be considered for Malaysian government contracts comes hard on the heels of warnings from Beijing over its future with UK business. China stopped short of imposing sanctions but it has said UK business is bound to be affected by the dispute over Hong Kong, which deepened further this week.

Although the performance of British companies has lacked lustre in some parts of Asia, here are two countries in which they have been doing well and have been well-positioned to make further progress. In both countries their efforts have been supported by high-level government trade missions as part of the policy of Mr Michael Heseltine, secretary of state for trade and industry, to co-ordinate more closely with business in boosting exports and investment.

Britain's colonial heritage appears to be both a blessing and a curse in its efforts to participate in Asia's rapid growth. On the one hand, it has given many British companies experience and contacts in the region. On the other, it has left a legacy of sensitivity to the former imperial power.

Mainly thanks to Hong Kong, UK and UK-linked companies have a reasonably strong and growing presence in China, which is seen by companies around the world as the country in which they must not miss out because of its size and extraordinary potential.

But China's deep suspicion of London's ulterior motives has been obvious throughout the negotiations over Hong Kong, even after reversion of sovereignty to Beijing was sealed in the 1984 Joint Declaration. Chinese officials see the



IN HAPPIER TIMES: Dr Mahathir Mohamad, the Malaysian prime minister, with Mrs Margaret Thatcher, then his British counterpart, in a picture taken in London nearly seven years ago. Both leaders were of one mind in seeing the value of governments and private-sector companies operating effectively as one in forwarding the national interest of each country involved. This is a kind of co-operation well understood in south-east Asia.

proposals of Mr Chris Patten, Hong Kong's governor, as an attempt to perpetuate Britain's influence after the 1997 hand-over.

The accounts of last year's 12 fruitless rounds of talks on Mr Patten's plans show the negotiations to have been a dialogue of the deaf. The fundamental differences in the starting positions of the two sides made concessions by either side.

However, many business people in Hong Kong and Britain believe that Mr Patten and the British government have unnecessarily provoked China through a combative approach. They doubt the usefulness of Mr Patten's stance, and that Hong Kong business is already adjusting itself to Chinese sovereignty regardless of politics, and that Beijing says it will reverse his reforms anyway. The Hong Kong business community appears unconvinced by the argument that free and fair elections will be the best underpinning for Hong Kong's continued commercial success.

It especially feels that the British government's effort to make an honourable exit from Hong Kong will not have been worth it if it substantially weakens Britain's longer-term prospects in China.

The Malaysian dispute is very different, not least because of the stronger UK government involvement in the private-sector contracts involved, whether through defence or official financing. If the colonial legacy is an exacerbating factor, it lies in Malaysia's persistent sensitivity to what it sees as the west's attempts to impose its own standards on the developing world.

Since Malaysia's independence from Britain in 1957, Britain's fortunes there have fluctuated. Statutory teaching of English, once banned, has been re-instituted. UK companies were warmly welcomed after the ending of the Buy British last campaign in 1986 but now may be frozen out again. Nor is Britain the only country to have fallen out with Dr Mahathir.

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INVESTORS CHRONICLE
THE CITY INSIDE OUT

NEWS: UK

Businessman fined £120,000 for BCCI fraud

By John Mason,
Law Courts Correspondent

Mr Mohammed Baqi, the former managing director of Attock Oil, was fined £120,000 at the Old Bailey yesterday after being convicted of conspiring to inflate fraudulently the profits of the collapsed Bank of Credit and Commerce International by £90m.

Mr Baqi was found guilty on six counts of conspiring to furnish false information but acquitted on a fur-

ther two similar charges. The judge ordered him to pay £50,000 towards the costs of the prosecution and £70,000 towards his legal aid.

Judge Neil Denison, explaining why he was not jailing Mr Baqi, said the businessman had been used by more powerful men in BCCI and they had escaped justice. Mr Baqi had neither sought personal gain nor intended to cause loss to the depositors of the collapsed bank, he said. The judge made no order to disqualify Mr Baqi

from being a company director. The conviction is the second successful prosecution brought so far by the Serious Fraud Office over the collapse of BCCI. Mr Sayed Ali Akbar, a former head of BCCI's international treasury division, was jailed for six years last September after confessing to 16 charges of false accounting involving £746m.

During Mr Baqi's trial the prosecution outlined how he conspired with senior members of BCCI to help

them perpetrate the bank's multi-billion dollar international fraud by signing false audit-confirmation requests and letters confirming Attock Oil owed management fees to the bank.

The prosecution said the effect of these was to confirm to Price Waterhouse, the BCCI auditors, that the bank was owed \$60m by Attock Oil, so creating a false impression of the bank's profitability.

The prosecution said the main perpetrator of this part of the overall

BCCI fraud was Mr Basheer Chowdry, a former manager with the bank's UK operations, with whom the Attock Oil head had regular dealings.

Mr Chowdry had left for Pakistan after the collapse of the bank in June 1991 and was now out of reach of the British authorities, the court was told.

During the trial lawyers for Mr Baqi said that he had been made a scapegoat for the collapse of the bank and questioned why he had

been prosecuted when staff from both Price Waterhouse and the Bank of England had failed to act when the signs of fraud started to emerge.

During cross-examination one Price Waterhouse witness admitted that his firm had failed always to use best-practice methods when auditing the BCCI books.

Mr Baqi left court yesterday without commenting. He is intending to return to live permanently in his native Pakistan.

National pay deal for print industry

Unions and employers in the printing industry have concluded a new national agreement only a year after abandoning national bargaining. David Goodhart writes.

The British Printing Industry Federation said that agreement had been reached on an increase of £5 a week for a skilled worker and £4.85 and £4.43 for less skilled employees.

The GPMU print union calculates that for most print workers the increase will represent a rise of about 3 per cent.

The deal introduces, for the first time, full flexibility between the employees in grades previously covered by the NGA craft union and those covered by the Sogat general union. It covers about 100,000 employees.

Adas beefed up before sell-off

Adas, the government-owned farm advisory and research service which has been earmarked for privatisation, is to be given a sharper customer focus and tougher financial targets, Mrs Gillian Shepherd, agriculture minister, announced yesterday.

The service's cost-recovery target for 1994-95 is being raised from 55 per cent to 63 per cent, with the rest covered by the government. The service will consolidate its 15 consultancy centres into seven units to meet this target.

The move will involve closing 18 local offices and will cut costs by 10 per cent.

Advertisers urge media rules change

The Incorporated Society of British Advertisers has told the government that it can see "little justification" for the ban on national publishers owning more than 20 per cent of ITV companies.

The society said that public policy "should be directed towards enabling partnerships and mergers where they make commercial sense".

Personnel groups vote to merge

Britain's two personnel professional organisations have voted to merge, creating the largest professional personnel body in Europe.

The Institute of Personnel and Development, which will have 73,000 members, will be established in July by the Institute of Personnel Management and the Institute of Training and Development.

Pay scheme boost

The number of employees covered by registered profit-related pay schemes increased nearly 28 per cent to 1,707,100 in the final quarter of last year, the Treasury said yesterday.

Company health

An award has been launched to find Britain's healthiest company. Promoted by the Wellness Forum, a group of leading companies, and sponsored by PPP, the private health insurance company, the award is aimed at encouraging workplace health programmes.

Expenditure cut

The government has reduced its forecast for the 1993-94 public expenditure control total from £244.7bn to £224.5bn. The main reason for the change is that contributions to the European Union will be lower than was previously thought.

Post deal talks

Talks were adjourned last night between the Post Office and the UCW communication union on a national productivity deal for the Royal Mail.

FT reporters win accolade

Financial Times writers Robert Peston, David Marsh and Jimmy Burns were highly commended yesterday in the Exclusive of the Year category of the National Press Awards for revelations last year about spending by the European Bank for Reconstruction and Development.

The weekly *Warrington Guardian* won three awards for its "remarkable" coverage of the town's IRA bombing. Editor Mark Rossiter was named Journalist of the Year, photographer Mike Boden won the Image of the Year award and the newspaper was given the team journalism award.

Tories' battlegrounds to be tax and councils

By Kevin Brown,
Political Correspondent

The Conservatives yesterday signalled that taxation policy and local government corruption will be the main battleground in the forthcoming local and European elections.

The Conservative tactics were flagged in hard-hitting speeches by Mr Kenneth Clarke, chancellor; Sir Norman Foster, party chairman, and Mr Peter Brooke, heritage secretary.

Labour was surprised by the attacks, which carried the campaign to what is regarded as opposition territory.

The Conservative tactics reflect the government's determination to limit its losses in the two elections, which are expected to be extensive.

Mr Clarke told businessmen in Maidstone: "The Conserva-

tive party is willing to fight on the low-taxation issue any time and anywhere. We did last time, we will next time, the time after that."

The chancellor defended the public-spending cuts in the November Budget and insisted that he had raised taxes "only with great reluctance".

His message was aimed largely at convincing voters that the Conservative party remains committed to low taxes. "Our answer to those who ask 'Will taxes ever go down again?' is: 'Yes, provided we control public spending,'" he said.

He said Labour had tried "to misuse statistics in a ridiculous way to try to revive the old myth that we tax the poor but not the rich".

Conservative officials said the thrust of Mr Clarke's

speech would be pressed home today by the prime minister at the Conservative local government conference in London.

Sir Norman told a conference dinner that Mr John Smith, the Labour leader, was heading a "disreputable" campaign of "smear, smear and smear again" against Tory councils.

He accused Mr Jack Straw, Labour's local government spokesman, of making unproven allegations against Tory-run Westminster council, which was accused of gerrymandering in a recent district auditor's report. Sir Norman said Labour councils were responsible for the 10 highest council taxes in London.

Mr Brooke, MP for the City and Westminster South, praised Westminster council's services, which compared favourably with neighbouring Labour-controlled boroughs.

Straw reports local gains

By Kevin Brown

Labour holds the largest number of council seats in England for the first time ever, Mr Jack Straw, shadow environment secretary, said yesterday.

Mr Straw said a dossier compiled by Labour showed that the Conservatives had lost 541 council seats in England since February last year, when Mr John Major, the prime minister, called for a "renaissance" in local government to bring back Conservative values.

The dossier shows that the Tory losses have occurred in every region of England and in every tier of local government.

Mr Straw said Labour held 7,543 council seats, compared with 7,408 for the Conservatives. He added that local councils had lost power to an increasing number of quangos.

The dossier shows that Labour controls 56 of the 124 major spending authorities in England, and is the largest party in two-thirds of authorities.

Labour controls the three main local government associations, including the district and county council organisations, which have traditionally had Conservative majorities.

The dossier sets the stage for the local elections in May, in which the Conservatives are widely expected to lose further seats.

It demonstrates that Labour's effective grip on local government will make it difficult for the party to make sweeping gains.

The dossier accuses the government of creating a powerful array of quangos which form "an unselected, unaccountable state which is now almost as large as an elected government".

It says that quangos control £24bn of annual public spending which was formerly controlled or influenced by local government. Much of the transfer had been in education, transport, urban development, health and training.



Will Carling, England's rugby captain, yesterday rang the bell at the London International Financial Futures and Options Exchange to signal the start of trading in the FTSE Mid-250 index futures contract. Joel Kibazo writes. The new contract is a rival to the Mid-250 futures contract which started trading on the screen-based OMLX exchange three weeks ago. One dealer said the Mid-250's first day of

trading, with a total of 617 contracts dealt, had been "slightly disappointing".

Next to Mr Carling is Mr Nick Duriachari,

Liffe chairman, and immediately in front of him is Mr Daniel Hodson, chief executive of the exchange, who said the contract would enable investors to "manage their exposure to all of the UK's 250 stocks for the first time".

Photograph: Trevor Humphries

Row as Labour candidate rejected

By James Blitz

Labour party workers in Rotherham yesterday accused the movement's national executive committee of betraying the principles of one-member-one-vote after it refused to consider a popular local candidate for the town's forthcoming by-election.

Members of Rotherham's constituency Labour party said they were "up in arms" over the committee's short-list of candidates for the by-election which excluded a well-known local activist.

The candidate in question, Mr Peter Thirlwall, was recently nominated to be the by-election candidate by party members in five out of the constituency's eight wards, and by a number of union branches.

In accordance with Labour's rules, the preliminary nominations were followed by interviews with an NEC sub-committee, which then draws up the final short-list.

This week the NEC committee, including Ms Margaret Beckett, the deputy leader and Ms Hilary Armstrong, parliamentary private secretary to Mr John Smith, posted a list of six candidates that did not include Mr Thirlwall. Among those chosen was Mr Denis MacShane, a well-known Labour figure.

Mr Thirlwall, an engineer with Rotherham Borough Council, said yesterday that he would have easily won the ballot had he been nominated. "Party members have a short-list, but there are only one they want to vote for," he said.

Ms Georgina Boyes, a member of the executive of the Rotherham Labour party, said the decision had caused anguish.

BR criticised over tunnel collision

By Roland Aciburgum, Wales and West Correspondent

British Rail's safety procedures are strongly criticised in a report published yesterday on the collision in the Severn rail tunnel which injured 188 passengers.

The report also condemns BR's implementation of its emergency plan which it says went "seriously wrong". It took more than two hours for rescue services to arrive and passengers "all experienced an unpleasant and lengthy delay".

He does not suggest railway managers and staff were negligent. But he says that, because

the tunnel had had only two minor accidents in more than a century, "the possibility of an emergency received too little attention amidst other pressing priorities".

A systematic approach to the identification, management and monitoring of hazards, which BR has adopted in principle, could have checked all these errors and prevented the accident.

He concludes it was caused either by "an unaccountable error" on the part of the Sprinter driver, or by the signalling and telecommunications technicians in the tunnel junction relay room. The driver, Mr Stephen Carpenter, did not give evidence to the inquiry after legal advice.

He does not suggest railway managers and staff were negligent. But he says that, because

Mr Seymour says that although the agreed plan for dealing with emergencies was broadly satisfactory, "the state of preparedness . . . failed to meet the expectations of the professional emergency services". The location of the crash was not properly communicated at first and most of the BR rescue team's pages failed.

He makes 11 recommendations. BR said yesterday it accepted the inquiry's findings and was overhauling the tunnel's safety at a cost of more than £5.5m. The improvements were "well advanced".

Railway Accident in the Severn Tunnel HSE Books, PO Box 1939, Sudbury, Suffolk CO10 6FS £12.50

Gardiner facing election challenge

By David Owen

Sir George Gardiner, Conservative MP for Reigate, is to be challenged as chairman of the rightwing S2 Group.

With nominations for next month's elections due to have been submitted by last night, either Sir Anthony Durant, the MP for Reading West, was expected to emerge as Sir George's principal challenger. Ballot papers will be sent out next week and must be returned by March 11.

The challenge to Sir George follows stiff criticism by MPs

in the group earlier this month of the botched handling of a meeting with Mr John Major.

Group members were vociferous in condemning the way the engagement was dealt with after the prime minister had been angered by publicity suggesting he was being offered terms for his survival as leader.

A delegation of 92 Group MPs emerged chastened from Mr Major's Commons office within minutes of arriving to demand urgent changes, although Sir George insisted that it was not "a brush off".

MPs' Lloyd's details disclosed

By Richard Lapper

The public will gain access to more details of MPs' involvement at the Lloyd's of London insurance market next week.

The new directory of members' interests to be published on Monday will disclose which MPs are Names - the individuals who provide assets supporting insurance market - and for the first time give details of which syndicates they support.

The directory will not, however, provide details of how much capacity the MPs provide to each of their syndicates, nor of their stop-loss insurance - a personal reinsurance policy which limits potential loss.

On the basis of the information contained in the directory it will be impossible to deter-

Companies run the rule over regulator

Alison Smith reports on the cautious reaction by the financial services sector to the Personal Investment Authority

nia," he says. He acknowledges, however, that he cannot expect instant enthusiasm.

These are very important decisions. People will need to study the documentation and then take the decision to their board. It's not a matter for an off-the-cuff reaction."

Many in the financial services industry would agree. There has been no word yet from Prudential, the UK's largest life insurer. Legal & General, another leading life company, has made it clear it will not put its head above the parapet.

Mr Michael Doer, chief executive of Friends Provident, says he is disappointed with what he has seen in the prospectus so far although he has not ruled out the possibility of his company applying. The question will not go before the board until its meeting at the end of the month.

Mr Palmer agrees that the prospectus can set out only aims and methods, and cannot provide conclusive evidence of how the PIA will operate.

He says: "The most important early test will be the effectiveness of the admission process."

However, the PIA has set no clearly defined targets for how many of the potential membership of 6,000 firms the organisation believes should fail because they do not meet the higher standards it intends to set. The development of training and competence standards in 1995 will be a further sign of its own effectiveness. In the meantime "there's the kind of relationship we have with the industry, and disciplinary and other decisions coming through".

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NEWS: UK

Sinn Féin wants talks link renewed

By Tim Coone and David Owen

Sinn Féin leaders are to insist at the party's annual conference in Dublin this weekend that a direct channel of communication with the British government must be reopened if the Northern Ireland peace process is to move forward.

Mr Gerry Adams is today expected to use a keynote speech to refer to "positive aspects" of the Downing Street declaration but to stop short of giving the document his approval.

The Sinn Féin president will focus on what he sees as the declaration's shortcomings on the issue of Irish self-determination.

But as republican leaders responded favourably to this week's efforts by London and Dublin to address nationalist concerns about their joint initiative, Anglo-Irish tensions were heightened by an Irish High Court decision to free a terrorist suspect wanted for questioning over the murder of a soldier.

Mr Joseph Magee, 27, from Armagh, was released after Mr Justice Feargus Flood ruled that the alleged offence of killing a soldier in Derby was a political one for which he could not be extradited.

Meanwhile, mounting unionist hostility towards the direction of the initiative was underlined when Mr John Taylor, a senior Ulster Unionist MP, urged his party leadership to boycott new political talks.

The IRA's political wing yesterday reacted positively to an article published in the Irish News, the Belfast-based nationalist newspaper, in which Mr John Major, the prime minister, made an eve-of-conference appeal to republican leaders to embrace the peace process.

Mr Mitchel McLaughlin, Sinn Féin's Northern Ireland chairman, said Mr Major's statement deserved "very, very careful study". He said the article - along with a number of recent speeches by senior ministers - had been "of assistance".

Mr McLaughlin said an offer of a temporary IRA ceasefire made last year during the secret negotiations between the British government and Sinn Féin was "still on the table".

Mr Major emphasized in the article that the joint declaration left "no conceivable reason for continued violence" and that London would not "try to persuade people to go for Irish unity".

But he combined this unconvincing message with a vision of the possible outcome of political talks designed to reassure nationalists.

After yesterday's Irish High Court decision Mr Michael Mates, the former Northern Ireland minister, said the case was "another example of what we have been complaining about to the Irish for a long time. Their extradition laws are flawed. They have acknowledged they are flawed."

King of the video jungle

Total video retail sales (£m)



Source: BVA

Children's cartoons help video sales surge

By Michael Shapinkin, Leisure Industries Correspondent

The story of Mowgli, a boy brought up by some kindly wolves, a conscientious panther called Bagheera and a happy-go-lucky bear named Baloo helped boost UK video sales by 27 per cent last year to 32m.

The Walt Disney version of Rudyard Kipling's *Jungle Book* appeared in video form last October. By Christmas it had sold 4.5m copies, making it Britain's best-selling video. *Jungle Book* provided a substantial boost to what the industry calls "sell-through" - outright sale of videos as opposed to rental.

Jungle Book and several other Disney stories helped children's videos to capture 37 per cent of the UK market,

overtaking feature-film videos for the first time. The viewers might have been children, but the buyers were parents who first saw many of the films in the cinema when they were children.

Jungle Book made its cinema debut in 1963. Disney's *Peter Pan*, another of last year's best-sellers, was first appeared in the cinema in 1953. Other best-sellers, all Disney products, were *Beauty and the Beast* and *The Muppet Christmas Carol*.

The British Video Association said 50m videos were sold last year, 28 per cent more than in 1992. This means the number of videos sold exceeded music cassette sales for the first time. The number of cassettes sold last year was 55.7m. Video sales are, however, still some way behind

compact discs, which sold 92.2m last year.

Ms Lavinia Carey, the association's director-general, said: "Long gone are the days when the video industry could be regarded as a poor relation of the cinema or record industry. It has grown so much faster than its elders and there is no reason to think this will not continue."

The association said feature films accounted for 35 per cent of the video market, with *The Bodyguard*, starring Kevin Costner, at the top of the list.

Videos of television programmes accounted for 10 per cent. Sport and fitness videos made up 5 per cent of sales, with *Cher Fitness* topping the charts. Music videos accounted for 4.5 per cent of sales, with the Manchester band Take That producing the best-seller.

Higher training targets called for

By Lisa Wood, Labour Staff

Employers yesterday warned the government that national targets for the attainment of vocational qualifications and their academic equivalents may be too low if the UK is to compete effectively in the future.

The warning came from the employer-led National Advisory Council for Education and Training Targets at a conference to present its first annual report on progress towards the targets. These were established by the Confederation of British Industry with the government's backing.

The council says that one of the main targets for the year 2000 is likely to be reached: for 50 per cent of young people, up to and including 21-year-olds, to have reached a level-three National Vocational Qualification or its academic equivalent of two A-levels. At present 37 per cent of young people have reached this skill level.

The report suggests, however, that the UK should be aiming higher. "International comparisons point to the need to do so," it says. "In Japan 86 per cent of young people reached a comparable level in 1986 and in France the target is 80 per cent by the year 2000. "Achieving 50 per cent - even before 2000 - is unlikely to bring a significant improvement in the UK's competitiveness."

Another target that may be too low, says the council, is that which aims for 50 per cent of the workforce to be qualified to at least NVQ level three or its academic equivalent by the year 2000.

Mr Peter Davis, Nact's chairman, said yesterday that the council would be reviewing all the targets later this year after consultations. He said that additional targets might need to be established.

Mr Michael Heseltine, the trade and industry secretary, told the conference that winning in world markets depended on improving the skills of the workforce.

Mr Heseltine is preparing a white paper on international competitiveness, to be published in May. The role of improved skills is expected to be an important theme.

Energy Saving Trust faces threat from funding row

By Bronwen Maddox, Environment Correspondent

A new threat to the future of the Energy Saving Trust, one of the main planks of the government's environmental strategy, has emerged in talks between Whitehall departments.

Officials are concerned that the trust's investments, intended to reach £400m a year by the end of the decade, could be classified as public spending rather than private sector.

The trust, which is the largest single part of the government's plans for meeting inter-

national targets on global warming, is intended to find projects to help gas and electricity customers use energy more efficiently. The government wants British Gas and the electricity companies to pass on the project's costs through consumer bills.

However, the financing plans have met with fierce opposition from Ms Clare Spottiswoode, director-general of Ofgas, the gas regulator.

In Ofgas' annual report, published on Wednesday, she said that the regulator had an "overriding duty" to keep prices down, but some of

trust's schemes would push them up.

Officials from the environment and industry departments and the Treasury have discussed whether the government will need to legislate to impose a levy on customers' bills to overcome Ms Spottiswoode's objections. Projects funded by a levy are likely to be counted as public spending rather than private sector.

Mr John Gummer, environment secretary, is meeting Lord John Moore, former cabinet secretary and the trust's chairman, on Tuesday to try to resolve the problems.

Appeal court upholds college strike ruling

By David Goodhart, Labour Editor

The Court of Appeal yesterday upheld a controversial High Court ruling which means that future trade unions are likely to have to give employers the names of all members participating in strike ballots.

The decision drew strong protests from union leaders who complained of an attack on civil liberties. The decision was based on a change to the 1992 Trade Union and Labour Relations Act, which became law last summer, stating that a union must "describe the employees of the

employer" whom it is reasonable for the union to believe will be entitled to vote in the ballot.

Trade Union Congress and union officials say government ministers had indicated that the purpose of the clause was to prevent unions from surprising large employers over which groups of workers they planned to call out on strike, and that it was not about the naming of individuals.

As a result of the ruling by Sir Thomas Bingham, Master of the Rolls, next Tuesday's one-day strike at 355 colleges of further education was called off by Natsfe, the college lecturers' union. The union has been in dispute for more than a year over the introduction of flexible contracts.

On Thursday Mr Justice Morison granted an injunction to Blackpool and the Fylde College banning the strike because college employers had not been given the names of union members being balloted. That decision was based on a change to the 1992 Trade Union and Labour Relations Act, which became law last summer, stating that a union must "describe the employees of the

Visible trade deficit with non-EU countries widens

By Philip Coggan, Economics Correspondent

The visible trade deficit with countries outside the European Union widened to £758m in January, from £571m in December. Imports rose 2.4 per cent over the month to reach a record £5.85bn. Exports increased 1 per cent to £5.12bn.

Figures from the Central Statistical Office show that the trend in the volume of British trade is deteriorating, but this is being disguised by an increase in export prices. The so-called "terms of trade", the balance between export and import prices, reached a record of 114 in January (1990=100). In the three months to January export prices were 2.5 per cent higher than in the previous three months. Import prices were unchanged.

The CSO estimates that, in value terms, the trend in non-EU trade has been for both exports and imports to rise by 1 per cent a month. In volume terms, however, exports are rising by 1 per cent a month and imports by 1 per cent.

In the three months to January export volumes, excluding

oil and erratic items, have fallen 1 per cent from the previous three months. Import volumes have risen 3.4 per cent. This has been partly caused by an unusually high export total in October.

Mr John Marsland, economist at UBS, said: "Without the support of improving terms of trade the prospects for the trade deficit in 1994 are bleak." The main falls in exports in recent months have been in semi-manufactures and in food, basic materials and semi-

manufactures have been in the main categories where imports have risen sharply.

If oil and erratic items - such as precious stones and ships - are excluded the deficit in January was £572m, compared with £478m in December.

Trade figures for non-EU countries are recorded separately from trade with countries in the union. Figures for the latter are use the new Intrastat system based on value added tax returns and are reported later.

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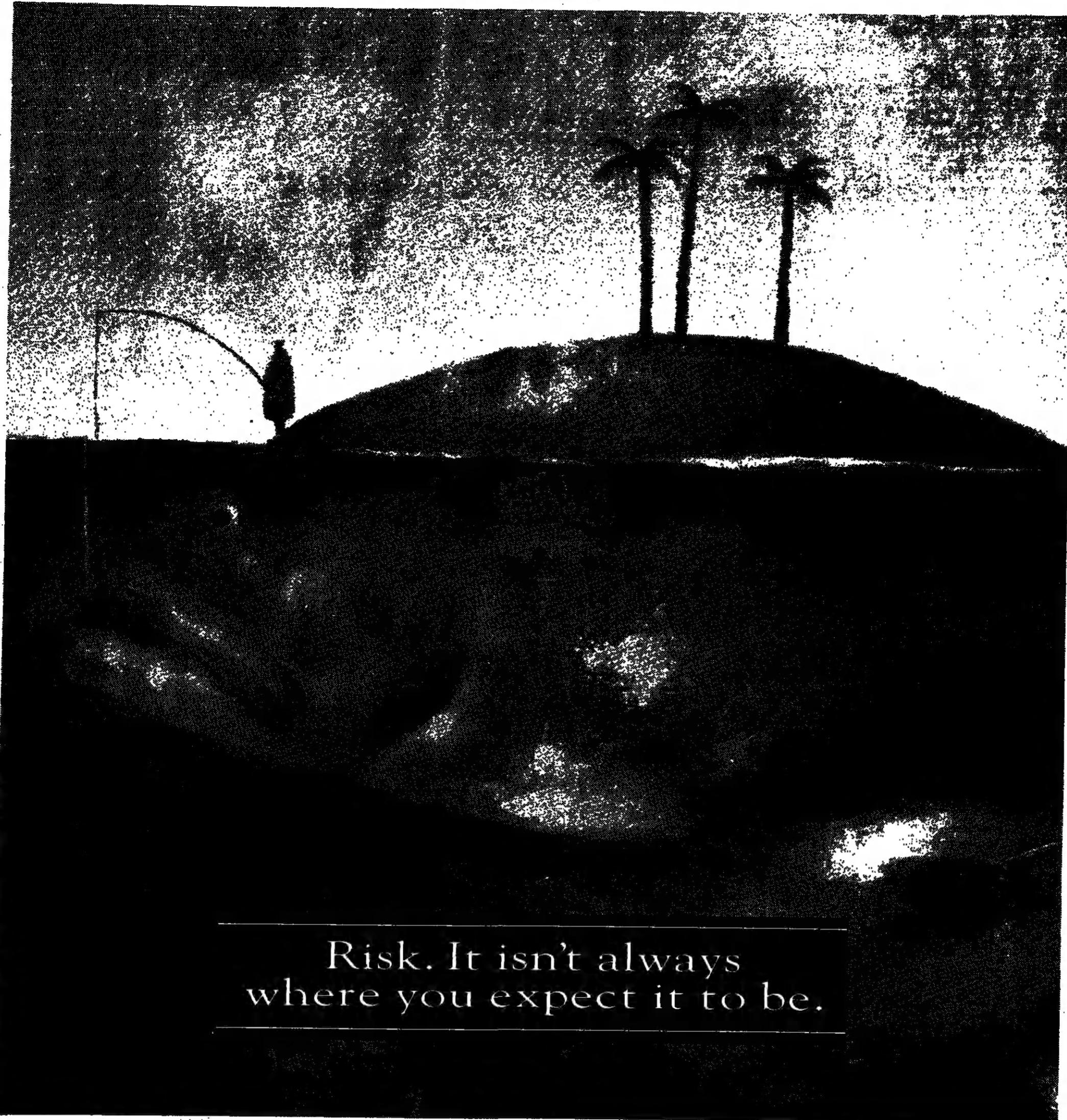
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Saturday February 26 1994

Bond market's bull is gored

All good things, including global bull markets in bonds, come to an end. The question is whether now is such a time. It might be - not because inflation is about to explode, but because there is little reason to expect it to fall much further either. By the beginning of this year, nominal long-term interest rates had fallen as far as economic fundamentals justified. Given that any shock should be enough to generate a correction.

The Federal Reserve's decision to raise short-term interest rates in early February provided just such a change. The caution about base rate cuts expressed by Mr Kenneth Clarke's six "wise men" this week may have added one for UK gilts. Realisation of just how cautiously the Bundesbank intends to lower interest rates may have had a similar effect on other European bond markets.

Two points about the background to the bond market correction must be remembered: the first is that nominal long-term interest rates had fallen to remarkably low levels by the end of 1993 and the second is that falls in recent years have been hugely rewarding.

In the US, for example, long bond yields bottomed out in October 1993 at 5.2 per cent, this being not only a sharp fall from the cyclical peak level of 9.3 per cent experienced in 1989, but also a level not seen since the early 1970s. Japanese long-term yields had fallen from 7.8 per cent in September 1990 to 3.1 per cent in January 1994, a level achieved once before, briefly, in 1987.

Even in Germany, records have been struck. The long-term interest rate reached 5.5 per cent at the beginning of this year, down from around 9 per cent in 1990. In the last 25 years, long bond rates have been below 6 per cent only in 1978 and 1986-87. As for the UK, long-term bond rates peaked in 1990 at nearly 13 per cent, before declining to just above 6 per cent in early 1994, levels not seen since the first half of the 1980s.

Speculators' fortunes

After two miserable decades, during which long-term bond investors have been plucked like so many chickens, yields have plummeted to the levels of before the great inflation. In the process, speculators have made fortunes. The question is not so much why this may have stopped, but whether it made sense for the rally to go so far in the first place.

Start with the fundamentals. The long-term rate of interest ought to reflect the real rate of interest, plus inflationary expectations. A good indication of the former is provided by the British government's index-linked gilt, whose

yield fell to about 2 per cent in late 1993, down from a peak of 5 per cent at the time of sterling's explosion from the ERM.

There are two reasons for this sharp decline. One, which is UK-specific, is the disappearance, following sterling's depreciation, of the expectation that the currency would have to depreciate. The second is the realisation that the global demand for capital would remain sluggish for a fairly long period.

Given the interconnection of the global capital markets and the absence of powerful expectations of further real exchange rate changes, the UK real rate of interest provides a global benchmark. If so, it suggests that long-term inflation expectations could have been as low as 1 per cent in Japan and about 3-4 per cent in Germany, the US and even the UK.

Profitable business

Bond yields could go much lower than they were, on a sustained basis, only if there were further downward revisions of inflationary expectations. How likely was this to happen? Rates of inflation in the US, for example, could average 2 per cent over the next decade, but they could easily average 4 per cent.

Speculation also enters the picture. If short-term rates of interest are below long-term ones, there is no carrying cost to borrowing short term in order to invest long term. If bond yields are expected to fall, this looks a highly profitable business. So it has been for US banks.

The expectation of short-term gain cannot continue forever. A rise in the cost of short-term borrowing is likely to achieve precisely this result, by increasing the cost of speculation on further increases in bond prices and driving speculators from the buying side of the market.

The action of Mr Greenspan's Federal Reserve in early February simply prickled the speculative element in the US bond balloon. Nothing he said this week suggests he is particularly worried about inflation. Nor, for that matter, were Mr Clarke's wise men. Speculation on further declines in bond yields looks more costly.

Since the real yield on index-linked gilts has itself risen by half a percentage point from its trough, the worldwide rise in bond yields can only be partly due to deteriorating inflationary expectations. Higher real rates of interest would reflect the end of speculation, but also the growing plausibility of recovery. Either way it is nothing to worry about, except, of course, for those who have been caught short.

The massacre of Palestinians during prayers at a mosque in the occupied West Bank town of Hebron yesterday is more than an enormous personal tragedy and a blow to Middle East peace hopes. Carried out by an American-born Jewish settler on a Friday in the Moslem holy month of Ramadan, the killings are also laden with symbolism which can be used by Islamic extremists throughout the region to stir emotions against Israel, established Arab regimes and their western allies.

The attack could not have been more critically timed to cut the ground from under the embattled Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, whose leadership has been under increasing assault from within his own community since he agreed an outline peace accord with Israel last year.

Few debates are more anguished than that raging over the future of the Palestinian people. After more than four decades of struggle, bloodshed, occupation and exile, the Palestinians appear to be on the brink of decisions which could decide their place in the Middle East.

Having said "no" to every proposed solution since the formation of the state of Israel in 1948, PLO leaders have begun to say "yes" to proposals which fall painfully short of the aspirations they nurtured for so long.

On September 13 in Washington the PLO signed a declaration of principles with Israel which provided for mutual recognition, and a series of signposts pointing in a number of different directions. Not only did the two sides disagree about where they are heading, but within Israel, and the wider Palestinian community, the range of opinions multiplied and diverged still further.

Yesterday's murders will have stirred a deep well of Palestinian emotion. But the strength of the declaration of principles still rests on the unstated fundamentals on which it was built. First, the Palestinian acknowledgment that the Arab inability to impose a military solution on Israel had been made absolute by the collapse of the Soviet Union. Second, that Israel wanted to rid itself of the Gaza Strip, a territory where the decline in living conditions has given birth to a more virulent form of Palestinian militancy which campaigns under the flag of radical Islam. To combat those forces after withdrawal, Israel needed the PLO. Perhaps, after yesterday's killings, Israel needs the PLO even more.

The coincidence of interest between Mr Yitzhak Rabin, Israel's prime minister, and Mr Arafat, brought the two sides together secretly in Norway and, ultimately, the two men to a public handshake in Washington. But behind the international applause, the flames of an internal Palestinian debate had been fanned into a blaze from which a new unity of purpose might be forged, or an even bigger disaster ignited.

The action of Mr Greenspan's Federal Reserve in early February simply prickled the speculative element in the US bond balloon. Nothing he said this week suggests he is particularly worried about inflation. Nor, for that matter, were Mr Clarke's wise men.

Speculation on further declines in bond yields looks more costly.

Hero, or traitor? Pragmatic, wise, national leader, or vain, incompetent autocrat? The praise and accusations have swirled around the head of Mr Arafat for the past five months. In Tunis recently, as he sat in front of a wall-size colour photograph of Jerusalem, gun on hip and ball-point pen tucked into the sleeve pocket of his olive uniform, Mr Arafat appeared an unlikely subject for such strong emotions. He was worried about the slow pace of negotiations with Israel, anxious

about deadlines already missed, cheerfully dismissive of criticism ("that's Palestinian democracy at work"), and no more forthcoming in private about his intentions than he is in public.

Many Palestinians, including some who have worked most closely with him, would recognise the description. Mr Arafat plays his cards famously close to the chest. Purportedly representing nearly 5m Palestinians, some 2m living under occupation, only the tiniest number might claim at any one moment to know what is in the chairman's mind. Only three others are said to have been fully aware of the secret Norway negotiations with Israel. When Dr Haider Abdel Shafi, the widely respected leader of the Palestinian team during 10 rounds of talks with Israel, arrived in Tunis last August for further instructions, it was to be told a deal had already been struck behind his back.

It is hardly surprising Dr Shafi later returned to Tunis at the head of a delegation with a petition demanding Mr Arafat should be more accountable. Or that Mrs Hanan Ashrawi, who was such a successful and prominent spokeswoman for the Palestinians after the Madrid peace conference in 1991, should have decided to pursue another career. Of the 16 members of the PLO executive committee, its highest policy-making body, a majority of 10 now attend meetings.

Palestinian intellectuals, writers and journalists have unleashed a chorus of protest against their leader. "You cannot change an elephant into a lion by sending it a letter," roared Professor Edward Said recently. "Yet what we have is an intolerable mess: it cannot be allowed to continue." Unless Palestinians faced up to the leadership crisis they could be resigned "to a life of permanent oppression, without land, without a voice in shaping the future, without hope, even with pride, as the leadership stumbles from incoherence to incompetence".

While Prof Said, a leading member of the Palestinian American community, has adopted a scat-

ter-gum approach to Mr Arafat's failings, other critics have been more selective, if no less damning. Some, including radical Palestinian groups based in Damascus, believe the September 13 agreement represents total capitulation to Israel. For them it is a betrayal of everything Palestinians have ever fought for,



A Palestinian protesting after the massacre of Arabs by a Jewish settler

and yesterday they again demanded a return to armed struggle. Others, such as Dr Shafi, dismiss the agreement, but would like to see if it can be improved. Still more say they fear Mr Arafat is incapable of sharing power, will not delegate, and ultimately will frustrate Palestinian ambitions for an open, democratic system of self-government following Israel's military withdrawal or redeployment in the West Bank and Gaza. In short, he will be like most other Arab leaders.

Since September 13, Mr Arafat has had little ammunition with which to fire back. Today he may have even less. The Israelis did not begin to withdraw troops from Gaza and the West Bank enclave of Jericho as scheduled on December 13, and Mr Rabin said earlier this week that it could be at least another month before the pull-back begins.

Support among Palestinians for the peace process had declined sharply even before yesterday's events. That, too, is Mr Arafat's

fault, according to not just to Mr Rabin, but also to the group of Palestinians around Abu Mazen (proper name Mahmoud Abbas) who masterminded the negotiations in Norway.

The Abu Mazen group ("We are known here as the Jewish agency," he said recently with a smile)

After yesterday it might appear less likely that Mr Arafat will be heading soon to the occupied territories. But much will depend on how the Palestinian leader reacts to the Hebron massacre. And that, in turn, may rest with Mr Rabin.

Reports from Israel yesterday suggested that among many people there was a surge of shame and grief over what had occurred. For those most actively involved in seeking the implementation of the Washington accord, the killings were a tragic reminder of the need for speed and a swift withdrawal of Israeli troops from Palestinian centres of population, such as Hebron. The massacre further underlined the explosive potential of the Jewish settlements spread throughout the West Bank, Gaza and the Golan Heights.

If those factors contribute to a more flexible and generous Israeli approach to negotiations with the PLO, Mr Arafat and the September 13 agreement could survive in better shape than seems possible today. Close aides of Mr Arafat and western diplomats in Tunis equally have no doubt that he could walk away from the agreement, should he conclude that Palestinian national rights could not be secured under the present deal, or that too large a part of popular opinion was turning against him.

"Yasser Arafat is the only truly national leader we have," a close aide said recently. "There is no one else, despite all the criticism. Only he had the courage and the stature to sign the September 13 agreement. No one else could have got away with it. He also can break the agreement if that is what is necessary, knowing how appalling the consequences will be, not just for the Palestinian people, but for Israel, and the rest of the Middle East."

WOMAN IN THE NEWS: Colette Bowe

Survivor in turbulent seas

In an industry where aggressive sales pitches - to the regulators as well as to customers - are a fact of life, Ms Colette Bowe, chief executive of the Personal Investment Authority, is earning a reputation for toughness.

"She can stand up to the big boys," says a colleague on the PIA.

When planning was under way for the embryonic authority, the regulatory organisation to oversee retail financial services, Mr Mick Newmarch, chief executive of Prudential, the UK's largest life insurer, launched a bitter attack on the proposals. Last summer he called for a full-blown statutory system of regulation.

Ms Bowe kept quiet at the time. Even now, it is only through a colleague that the degree to which she was "pretty fed up" has emerged.

Then, Ms Bowe was in charge of retail financial services at the Securities and Investments Board, the City's chief watchdog and the PIA's parent regulator. She moved to her present post in January when it was still not clear whether the dispute over the composition and role of the PIA would result in it being stillborn.

There was agreement among the industry's practitioners that a single regulatory organisation was needed to replace Lutro and Fimbra, which oversee life insurance companies and independent financial advisers respectively. But for months the PIA had been dogged by a series of setbacks. Its chairman, Sir Gordon Downey, had departed abruptly last autumn amid complaints about lack of progress. And there was a seemingly endless debate about the form of regulation and the standards of selling which should be applied throughout the industry.



Now the mood seems to have changed a little. Standard Life, a leading UK insurer, said this week that despite its preference for a statutory system, it was likely to join the PIA. Criticism has subsided in the wake of the authority's prospectus, released this week, which has contributed to a grudging acceptance that the PIA will come into being this summer.

This shift in attitude can be

partly attributed to Ms Bowe's appointment. She is both a symbol and a cause of the PIA's new-found confidence. "The difference in staff morale has been tremendous," said one PIA board member.

Industry insiders believe she would not have joined a sinking ship, but they also acknowledge that her managerial skills have helped to put the ship on the right course.

Her talent for political survival was honed the hard way, as chief press secretary at the Department of Trade and Industry during the 1986 Westland affair. The row over the future of the UK helicopter company led two cabinet ministers - her boss Sir Leon Brittan and Mr Michael Heseltine, then defence secretary - to resign and almost caused the downfall of Mrs Margaret Thatcher.

Ms Bowe played a starring role. She leaked to the Press Association news group the extracts of a letter from the solicitor-general, which appeared to support the DTI argument for allowing Westland to link up with Sikorsky of the US. Mr Heseltine on the other hand wanted to find a European solution for Westland.

Ms Bowe, although cleared by a Commons select committee inquiry of any wrongdoing in leaking the letter, stayed only about a year at

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Ref. F11

Enlargement - extending the European Union north to the Arctic Circle and the borders of Russia, and east to the Hungarian frontier - is supposed to be a breeze.

The new members - Finland, Sweden, Norway and Austria - are rich market economies, with per capita incomes higher than the EU average. Moreover, these four plus Iceland, had already assented to more than 1,400 laws governing freedom of movement for capital, labour, goods and services when they set up the joint free zone with the Union known as the European Economic Area. This 13,000-page treaty, which came into force this year, surely *is* of what there is to negotiate on full membership of the Union.

There would no doubt be hiccups in the obsolete tradition of neutrality of applicants except a member Norway, it is generally thought. But then in a post-war world - releasing and - Europeans into the queue to join the EU - surely nobody could afford to resist the magnetic pull of the European market?

As batteries of ministers from the 12 existing and four would-be members assembled in Brussels last night for what is billed as the final, marathon round of the enlargement negotiations, there are serious worries. Both sides doubt whether the deadline for concluding the talks at midnight on February 26 will be met, and whether all four applicants will ever make it into the EU.

The difficulties have been underestimated: in timing, in the substance of the negotiations, and what might be described as cultural differences between the Union and the Nordic countries.

The Union's self-imposed deadline was set to permit the four to enter by January 1 1994. The EU goal was to demonstrate the dynamism of the new Union to the public, whose enthusiasm for Euro-integration is ebbing fast.

But Euro MPs, up for re-election in June, must approve the accession treaty before March 10 and May 4. There is no certainty they will get either a text to examine or - with election campaigning likely to reduce normally poor attendance at the European parliament even further - a

quorum to ratify it. Failure by Strasbourg to ratify would upset plans in all four applicant countries for the referendums essential to sell the charms of EU membership to sharply divided voters.

Opinion in Finland and Austria has been more or less evenly split, with a slight advantage for the Yes camp. More Swedes want to stay out than go in, but the opposition Social Democrats could change that if they win September's elections. In Norway, however, where voters rejected membership in 1994, a small majority against the EU, even though the pro-entry *is* inching forward.

If entry terms are agreed, then much could depend on arranging a "virtuous

rather cold-feeling Norway.

But Norway and the others insist they must get sensible

EU deliver.

The European Commission's enlargement "task force", led by Mr Steffen Schmidt, a Dane with an acute feel for Nordic sensibility and political psychology, has tried to arrange the arcane of the negotiations into packages which look as if

the EU is adapting to the newcomers' concerns in areas such as the environment and social policy. A deal agreed in December on the environment and safety standards, hailed as a victory by all four candidates, was imaginatively crafted. "It's not unintentional," one lead Brussels negotiator remarked archly, "that it sounds like they're pulling us into their standards."

It should not be possible to settle the three listed issues of

difference themselves to their

But as Mr Carlos Westendorp, Spanish European affairs minister, puts it: "The problem of Ecuas is easy to solve in the east; it's the problems of philosophy that are difficult." He should know.

Spain wants the right to catch 14,000 tonnes of Norwegian fish. Spain got a bad deal on fisheries in its accession treaty. Madrid is determined that Norway is not going to come in on better terms than it achieved, and a French-led group will not allow Norwegian free access to the EU market. Spain is prepared to negotiate, but wants some restitution of the fish it lost when it was barred from Norwegian waters in 1981.

Spain's position is simple and unswerving: not a single fish for Spain. "We do not negotiate with Spain; we negotiate with the Union," Ms Grete Kruusen, Norway's external trade minister said tartly this week.

This is a real crunch issue," says a UK negotiator. "I think I know where their [the Norwegians'] bottom line is, and it's very hard."

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Austria, too, has an emotive environmental "crunch" issue: the volume of EU lorries transiting its Alpine passes. Swiss voters last Sunday chose to ban all EU trucks through their passes within 10 years (see accompanying report). Vienna therefore wants its restrictions on Union traffic, set to last until 2004, stabled to the back of its accession treaty. The EU is offering to keep the transit deal for only three years. Yet both sides now fear this could scupper Austria's referendum on entry.

Even if all this can be settled, the "cultural" differences will be thrown into sharp relief by the referendum campaigns.

Many in Finland and among its Nordic neighbours, though worried about the rise of nationalism in Russia, are unpersuaded by the EU and its putative security policy. "There will still be two competing power centres in Europe, the EU and Russia, and Russia is our immediate neighbour," says Professor Jan-Magnus Olofsson, a former Finnish minister and anti-EU leader.

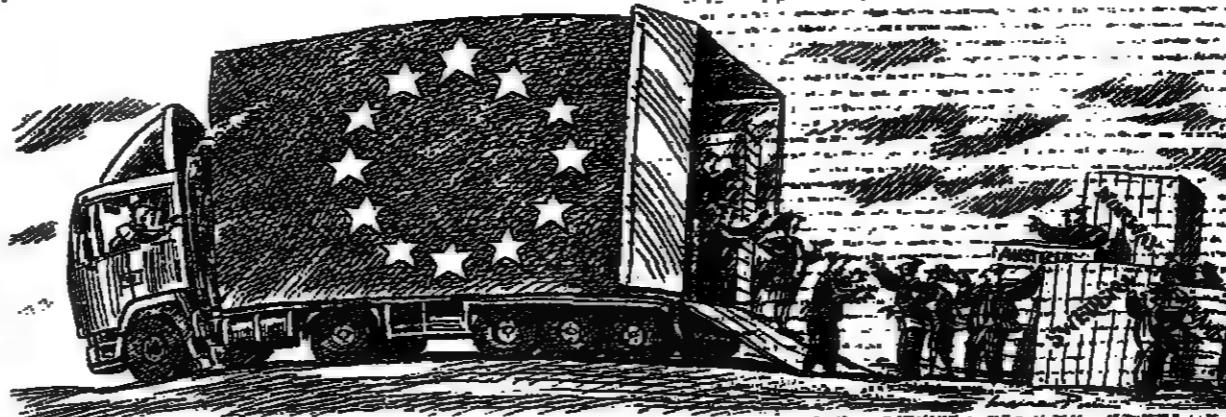
Bosnia, he adds, "is not a very convincing argument for depending on the EU for our security". The "Zhirkovsky factor", the Finnish polls show, is frightening voters into the EU camp and stamping almost as much back to the tried policy of neutrality.

Less tangibly, the Nordics from inside the EU dislike what many see as a grouping likely to sacrifice environment and welfare standards for raw commercial gain, which moreover they believe benefits the centre more than the periphery of Europe. "EU is open government, they see EU as secretive and centralised. The protestants in the north are also used to lots of women in jobs; Nordic women in particular look down on the predominantly Catholic EU, and are set to vote heavily against it.

The negotiating deadline is almost certainly, therefore, going to have to be stretched. "My view is that this could be quite a long February. In fact it could turn out to be a leap year," says a senior UK official. "Even if that works for the negotiations, it is going to be hard to sell the results."

Not yet on board for the ride

David Gardner on the likely delays to enlargement of the EU



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agriculture and regional policies in Arctic and Alpine areas, and the EU's budgetary constraints of who pays for what. At the moment, the rich members are being asked to make net contributions to the Sanabria (Spain) EU budget of about £200m a year - less than half original expectations - but to allow their higher farm prices at EU levels immediately and pay the

EU adds that the fumes from the trucks can hang in the narrow valley for days if the wind is light and the fog is thick, which it often is. Mrs Hogg says even the Ursen valley and Andermatt, high above the Gotthard tunnel, often becomes polluted because of fumes from the road

exit exhaust vents.

Mr Baumann sees other problems

in the steep mountain sides. "Trees have been killed, then knocked down by the strong film (south-west wind) storms, increasing the incidence of avalanches and landslides."

Local people also worry about an environmental catastrophe. Trucks

are not allowed to carry dangerous substances along the route, but many

explosives - but would have appalling consequences: a spill of chemicals into the

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The Swiss ban has shocked the neighbours, says Ian Rodger

Trucks headed off at the pass

"The Gotthard was anciently perhaps the most frequented passage over the Alps, as it offered the most direct and practicable line of communication from northern Switzerland and western Germany to Lombardy, and the important cities of Milan and Genoa. Not less than 16,000 travellers and 3,000 horses crossed it annually on the average, down to the commencement of the present century." - Murray's Handbook for Travellers in Switzerland, 1858

The problem is the pollution," says Mrs Marie-Therese Hogg, a young housewife and mother of two in Andermatt, a Swiss village in the middle of the Gotthard.

Mr Hogg is not referring to horses, but to the 2,500 trucks a day that have replaced earlier forms of transport on the ever popular Alpine route. While in previous centuries, travellers and their carriages brought prosperity to the tiny Swiss canton of Uri that hinders the Gotthard, the trucks bring only misery.

"My older son has asthma. Our family doctor says the incidence of asthma here is far higher than normal," Mrs Hogg says.

The result was an unusual alliance for the country's neighbours, the officials of the Alpine Union, who had only two years ago agreed trans-Alpine truck limits with the Swiss.

In the past month, the inhabitants of Uri have taken up against their oppressor, mounting an effective campaign to convince their fellow Swiss to support their petition to ban trucks from the Alps. Knowing that their own reputation as rather poor mountain folk would win much sympathy for their plight - one exasperated federal minister referred to them this week as troglodytes - the Uri campaigners emphasised the damage being done to the Alpine flora and fauna by fumes.

The stratagem worked. Last Sunday, nearly 52 per cent of all Swiss voted in favour of the proposal, and voted in favour of forcing all truckers to shift to the railroads by 2004.

Mr Hansruedi Stadler, Uri's youthful governor, agrees. Sitting in his modest office at Andermatt looking over a square dominated by a statue of William Tell, he asks rhetorically: "What could I tell my shareholders

about the Gotthard pass was opened, the problem is that the

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COMPANY NEWS: UK AND IRELAND

BAe answers criticism of BMW/Rover deal

By John Griffiths

British Aerospace tried "for months" to reach agreement with Honda on a reorganisation of Rover Group, BAE said. It has been told in a letter setting out the intended sale of Rover to BMW of Germany.

Asked to approve the sale of an extraordinary place on March 15, Mr John Cahill, outgoing chairman, faced criticism of what was described as a "betrayal" of Honda's 15-year partnership with Rover.

For BAE to have gone along with Honda's proposals for restructuring would have required it to provide contin-

"substantial" financial support for Rover while remaining a large minority shareholder, Mr Cahill said in his letter.

Honda would hold a stake of 47.5 per cent, with the remaining 5 per cent allocated to Rover's employees.

Under the terms of the deal, BMW will buy the entire share capital of Rover and Rover USA, which means Rover's sales activities in North America, for \$200m cash.

At the same price, BAE will be payable on completion of the deal, the balance of £240m payable on June 30, plus £10m from the initial completion.

In addition, BAE is

ing Rover Group borrowings of £1.25bn and responsibility for £100m off-balance sheet funding of new.

Although the cash will be much-needed cash for BAE, it will not put the group in breach of its own borrowings limits unless shareholders agree further changes on March 15.

Its critics of the deal will restrict borrowings to a maximum of 15 per cent of adjusted capital.

Since the cash will reduce this limit by early March, this limit will be breached unless the deal is completed. Shareholders will be asked to increase the borrowing ceiling to £1.25bn.

MAI cashes in Havas stake

By Peggy Hollinger

MAI, the broadcasting and moneybroking group, including MAI in Havas, the French media combine, four years earlier than expected.

The group eliminates the vestiges of MAI's former Mills & Allen, the outdoor advertising company which was the UK arm of MAI and was merged into the French group.

MAI announced yesterday

convertible bond holding in MAI - which represents 1.5 per cent in the group - upon conversion - in the value of FF 351m (£24.8m).

The value has risen in value by 17 per cent over the last year, as falling French franc has increased the attraction of convertible bond investment.

MAI in Havas is the legacy of the 1988 merger by the two groups of certain interests in Avenir Media. In 1992, MAI swapped its 10 per cent stake in them for the convertible bond holding.

North of England BS falls 19%

By Alan Smith

North of England Building yesterday announced a fall from £213.5m to pre-tax profits in the 1993 year.

The decline was in line with recent announcements in the industry which had significantly increased profits.

The 19 per cent fall, struck after an exceptional profit of £1m from the sale of its Sunderland headquarters, was due mainly to increased provisions, totalling £2.58m, for mortgage losses and the need to write off customers of its independent financial advice service as a result of mis-selling.

Group mortgage advances fell to £1.1bn, down 10 per cent. There were reductions in interest rates at 10.5 per cent and other charges of £1.37m. Total assets rose to £1.51bn (£1.42bn).

Honeysuckle advances 39% to £834,000

By Joanne Lien

Honeysuckle Group, the US-quoted designer of women's wear, saw pre-tax profits rise 39 per cent from £1.1m in the half year to turnover of £1.25m.

Turnover rose 44 per cent from £28.83m to £12.7m.

Operating profit jumped 30 per cent to £635,000, an interest payable, however, from £34,000 to £81,000.

An interim dividend of 1p (0.75p) is declared, payable on earnings of 6.7p (5.5p) per share.

Groupe Chez Gérard on stock market menu

By David Blackwell

One of London's most fashionable eating places is to be listed on the Stock Exchange at the end of next month.

Groupe Chez Gérard, Bertorelli's in Covent Garden, Café Fish off Haymarket, Soho Fish in Finsbury and three Chez Gérard restaurants, all operate and has 25.5 per cent stake in Chutney Mary in Chiswick.

The group is expected to have a market value of over £17m after flotation, which is expected to raise between £2m and £3m of new money. The shares will be placed with

institutions, although some will be available to general employees.

Laurence Isaacson, chairman, said yesterday that the group is raising the money in order to expand the business faster in London. "We want to utilise our resources fully, with the emphasis on Chez Gérard and Café Fish."

The group is owned by Mr Isaacson and Mr Michael Abraham, managing director. The pair bought the restaurant business in 1988, converting a former warehouse door to the Royal Opera House into Amis du Vin, which they then sold for £1m.

Fleming Japanese raises £162m in conversion issue

By Bethan Hutton

A conversion issue by Fleming Japanese, offering exposure to the Japanese market, is when recovery is expected to take off and push the share price of £1.50 to a premium to the record.

The institutional placing accounted for 50 per cent of the total, for which the maximum for the trust was £250m, on that there would be no more than a back application to the public.

The trust is already the largest fund in its sector with £1.25bn, and it is expected that by more than 50 per cent.

Heavy demand for funds

offered exposure to the Japanese market, a when recovery is expected to take off and push the share price of £1.50 to a premium to the record.

Fidelity Japanese Values, a new investment trust specialising in smaller companies in the UK, is currently in its public period, and also experienced strong demand from

the public.

Conversion of the Fleming C

is expected to take place on March 21, with dealings in the shares will start. One warrant will be attached to every

shareholder.

Earnings per share

of the proceeds, £4.3m will be used for the UK Estates

and the rest for the Japanese trust.

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Fall in demand batters profits at Bridgestone

By Paul Abrahams in Tokyo

Bridgestone, the world's largest tyre manufacturer, yesterday reported a 58 per cent fall in consolidated pre-tax profits, to Y17.3bn (US\$14m) a year from Y79.5bn in 1992. Group sales for the year tumbled 8.4 per cent, from Y1.745bn to Y1.595bn over the same period.

The company is struggling with a collapse in demand in its domestic market, where it controls about 45 per cent of the car tyre sector. Bridgestone said demand from car manufacturers had fallen because of the poor state of the economy and increased imports.

The replacement market had also declined, it added. Domestic sales have been under pressure, and the group's product mix deteriorated as Japanese consumers increasingly traded down. Non-consolidated domestic sales fell 13.6 per cent from Y452bn to Y390bn.

The strength of the yen has prevented Bridgestone's domestic operations exporting their way out of trouble. Mr Isao Imaizumi, managing director, said the dollar

exchange rate in 1993 was Y112, up Y15 on the previous year.

Non-consolidated exports fell 11.5 per cent, from Y18.8bn to Y16.0bn. Bridgestone said unit sales to Europe had fallen, but had increased to North America, Asia and Oceania.

Consolidated tyre sales fell from Y1.324bn last year, to Y1.191bn - the same as in 1992 - while turnover at the tyre operations fell from Y2.01bn to Y1.97bn.

Cost-cutting saved Y20bn, but consolidated operating profits nevertheless fell 22.8 per cent to Y8.2bn from Y12.6bn.

Consolidated net profit after tax dropped from Y28.4bn to Y26.3bn, while earnings per share fell from Y11.5 to Y8.7.

The group forecast consolidated sales would reach Y1.570bn this year, and that earnings would rise to Y8.0bn. It predicted earnings per share would be Y8.88.

The company dropped an extraordinary dividend of Y1.5 per share paid last year, declaring a dividend of Y1.2 per

Sales surge helps lift Astra 53% to SKr7.8bn

By Christopher Brown-Morris in Stockholm

Astra lifted pre-tax profits by 53 per cent to SKr7.8bn (US\$75m) in 1993, maintaining its momentum as one of the world's fastest-growing pharmaceutical groups.

The performance was powered by surging sales of the group's two main drugs, Losoc and Pulinicort, and the weaker Krona.

The dividend was raised 60 per cent to SKr1.20 per share.

The Swedish group is to establish an American drug receipt (ADR) programme in the US from the autumn.

Sales climbed 45 per cent to SKr2.1bn.

Excluding currency factors, the increase was 21 per cent, well ahead of the market's 5 per cent growth.

The group said earnings would again develop favourably in 1994, as sales continued to outperform the market.

However, it warned that the pace of the increase would slow, because it would not derive the same currency gains this year.

In the fourth quarter, pre-tax profits fell to SKr2.04bn, on sales of SKr2.6bn, up 60 per cent. The rate of profit increase slowed because of big currency gains in the final quarter of 1993.

Sales of Losoc, an anti-peptic ulcer agent, surged 64 per cent to SKr7.1bn, while sales of the drug, including through licensees, were up 75 per cent at SKr12.7bn.

Another line, at the Tahara plant in Aichi prefecture, had also been closed. The company has not yet decided when the line, making Calca and Cetine EDE, will be reopened.

Tony, which daily production had a peak of about 17,000 vehicles a day to 13,000. Japanese production fell 10.2 per cent last year, according to the Japan Automobile Manufacturers' Association (Jama).

The Japanese automotive industry is gaining little from exports. In January, recorded their 10th straight month of year-on-year decline.

Exports slumped 26.5 per cent compared with the same month in 1993, according to Jama. January exports of cars, trucks and buses fell to 380,418 from 831,349 in January 1993.

Toyota forced into ban on overtime

By Paul Abrahams

Toyota, Japan's biggest automobile manufacturer, has introduced its first overtime ban for assembly-line workers.

The move underlines the extent of the recession affecting the industry, and its difficulty in exporting, given the continuing strength of the yen.

The group stopped all overtime for production and office-workers at its Japanese plants during January and February. It has not yet decided whether to extend the ban during March.

The group, which reported a 43.7 per cent fall in pre-tax profits during the four months to the end of December, has also temporarily shut one of its 27 domestic production lines because of demand.

The shutdown, at its Motomachi plant in Toyota City, Aichi prefecture, happened late last year. The group intends to

reopen the line, which makes minivan II.

Another line, at the Tahara plant in Aichi prefecture, had also been closed. The company has not yet decided when the line, making Calca and Cetine EDE, will be reopened.

Pulinicort, an anti-asthma agent with between 35 and 45 per cent of the European market, saw sales rise 86 per cent to SKr2.96bn.

Astra has emerged relatively unscathed from government clampdowns on pharmaceuticals. However, local currency sales in Germany, its biggest market, fell 3 per cent last year, compared with a market decline of 10 per cent. Sales growth of 48 per cent in the UK and 52 per cent in France helped to compensate for this.

Total group sales, excluding currencies, were up 25 per cent in Europe and 20 per cent in the US, compared with market growth of 2 and 4 per cent respectively.

Deficit at Woolworth drives down share price

By Richard Tomkins in New York

Shares in Woolworth, the US retailer, tumbled \$1.1 to \$21 in early trading yesterday - a fall of 9 per cent - as the company reported a sharp reversal into losses in the fourth quarter to January 29.

Net income of \$168m the previous year turned into net losses of \$45m, on revenues down from \$3.13bn to \$2.82bn. Earnings per share of \$1.25 turned into losses per share of 35 cents.

Woolworth, which has been shedding its general merchandise stores and building up its specialty retailing businesses, stressed the results included a pre-tax charge of \$168m. This was associated with the sale of its chain of 120 Woolco superstores in Canada to Wal-Mart, the US stores group, announced last month.

The original announcement forecast that the charge would be just \$45m, mainly resulting from the recognition of currency exchange losses.

Yesterday, Woolworth said additional costs had arisen from inventory markdowns, the sale of some stores not included in the Wal-Mart deal, and an unexpected delay in completing the transaction.

However, it said it benefited from a pre-tax credit of \$145m relating to the reversal of some charges taken last quarter - biggest component of the overall downturn, therefore, came from its trading activities.

Operating profits of \$266m last time turned into operating losses of \$21m. Woolworth said its operations in the fourth quarter were hit by disappointing sales and heavy promotional activity.

For the full year, net income fell to \$8.62bn from \$9.98bn. Net income of \$200m slid into net loss of \$495m, and earnings per share of \$1.05 turned into losses per share of \$0.76.

Setback to Rogers' media group bid

By Bernard Simon in Toronto

Rogers Communications' (US\$4.1bn) bid for Maclean Hunter, the Canadian publishing and cable-TV group, is mired in uncertainty after several surprise developments.

These events, including the 7 per cent cut in US cable-TV rates imposed by the Federal Communications Commission this week, have cast doubt both on Rogers' willingness to stick with its C\$17-per-share offer, and on Mac's ability to find a better alternative.

The uncertainty is reflected in a steep fall in Mac's share price in the past two days. The Toronto-based publishing and cable-TV group was trading at C\$15.50 yesterday morning, well below Rogers' offer of C\$17 per share. The offer is open until March 15.

Mr Ted Rogers, Rogers' chief executive, was reported yesterday to have said his offer may be "too generous".

Analysts said the cut in US cable rates, as well as the subsequent collapse in US cable-TV rates imposed by the Federal Communications Commission this week, had significantly lowered the value of Mac's extensive US cable franchises.

Rogers plans to dispose of these assets if its bid for Mac succeeds. It will also distribute a portion of proceeds above C\$1.5bn to Mac shareholders.

However, it has the right to rescind its offer if any material change occurs in Mac's business.

The company, which yesterday changed its name to Akzo Nobel of Sweden, said net profit before extraordi-

nary items fell to SKr1.05bn (US\$85m) from FI 712m a year earlier.

If extraordinary charges for restructuring and for book investments are included in both years, net profit fell by 11 per cent to FI 545m. Group sales were down slightly to FI 16.5bn, compared with FI 16.7bn.

The improvement in fourth-quarter net profit before extraordinary items, to FI 172m from FI 127m a year earlier,

compares with declines in the first two quarters, and barely changed results in the third.

Akzo, which is to leave its 25 per cent unchanged at FI 6.50, said the recession in Europe appeared to have bottomed out, and it predicted a positive trend for the company in 1994.

Pharmaceuticals put in the best performance of Akzo's four main businesses. The sector generated around 55 per

Watchmaker's car silences the sceptics

SMH chairman Nicolas Hayek talks to Ian Rodger about the Swatchmobile project

The very idea that a producer of watches could break into the tight and expensive world motor industry is odd, let alone the motored joint venture with Volkswagen collapsed last year.

But that is exactly what SMH, the Swiss watchmaking group, has done for its cheap and cheerful Swatch car, designed to put some zip into SMH shares whenever they sagged.

This week, however, all doubts disappeared. SMH and no less a player than Mercedes-Benz of Germany announced they were setting up a joint venture to produce the Swatchmobile. If all goes well - and that means getting approval from various boards and advisers at Mercedes - the car will finally be unveiled at a car show at the end of next week.

Already, Mr Hayek has clarified the broad outlines of the vehicle. It will be a two-seater - "enough for two people and two cups of mineral water" - and will probably be on the market in three years, selling for about \$10,000. ("That amount is on the high side," he says.

There has been much speculation about its engine design. Mr Hayek says three different systems are being assessed. The aim is to produce a car that is not just a city runabout that has to be plugged in every



The Swatchmobile: official unveiling scheduled for next week

few hours, but also a vehicle you would drive from Zurich to Sicily in the same comfort you would expect in a normal car, he says.

Fine, but what is SMH's strategy for beating Japanese competitors in the mass market, and it has worked spectacularly.

"Cars have become much too expensive. They can be made much more cheaply," he says.

"We have to produce high quality at low cost."

Set prices low. "The idea behind Swatch is to have no target market. Everyone should buy them, from age six to 120."

The product should be sold throughout the world. While

it will be exported quickly and efficiently from

factories, Mr Hayek envisions

bikes will be manufactured in several countries, "and that does not exclude Great Britain". Once the deal with Mercedes is sealed, he plans quickly to take up an invitation to visit Mr Michael Bessell, president of the UK Board of Trade.

The product should be "provocative", expressing "joy in a Rolls Royce or a Jaguar is not just a car, it is a car plus something," he says.

It all sounds a tall order for the Swatchmobile, but it looks as if it will finally be fulfilled. Mr Hayek says SMH and Mercedes have been working on the joint venture for a year, and have resolved a lot of the problems that brought the discussions with Volkswagen to a standstill.

The concept has been approved throughout the Mercedes organisation. "A lot of detail work has been done," he says.

Mercedes will have majority control, but SMH, with 49 per cent, will have a veto on many issues, according to Mr Hayek.

He claims the project is also well within SMH's means, so far taking up no more than 15 and 20 per cent of the group's cashflow.

"And if it is as successful as we hope, we will keep on investing."

Observers unshaken by bond shake-out

By Our Markets and Foreign Staff

Knight, global bond strategist at Nomura, who has, until recently, had a reputation as a superbull. He warned that US short-term interest rates might have to go up to 6 or 7 per cent by the year-end to defend sterling against the slide of poor trade figures.

Others, however, feel there is little fundamental justification for the bond market's rally, arguing that the slide was due to heavy selling by highly leveraged investors, including US hedge funds, who had to liquidate bond positions after incurring huge losses in other markets.

"Investors with a horizon longer than a few weeks should stick with the economic fundamentals, which point to a sustained rally," said Mr Julian Jessop, international economist at Midland Global Markets in London.

Although Europe lags the US economic cycle, the recent US monetary tightening fuelled fears that the pace of monetary easing in Europe would slow, and short-term rates in some countries could rise.

The UK market was especially rattled by calls for monetary tightening from Mr Nick

However, bond yields are unlikely to return to their recent lows. One of them is Hermann Rampsperger, chief Frankfurt, who is turning point.

The clear trend of the market is gone," he said. "Investment horizons will become much more short-term than was the case last year, and the opportunities for making profits will come from taking advantage of market volatility."

Mr Graham McDermott, bond strategist at market analysts IDEA, takes a similarly cautious view. "After this week's psychological impact on investors has been so great we don't expect them to return to the market with any conviction," he said. "I think a return to the low we have seen will be very difficult. The post sell-off rally will generally be disappointing."

Still, many expect Europe's bond markets to recover when

interim stage continued, with trading in securities and currencies showing by far the greatest growth, 72.5 per cent, to SFr2.5bn, mainly due to the recession in Switzerland.

Total assets at the end of 1993 stood at SFr11.3bn, up a brisk 15.7 per cent. This was attributed to a 11.6 per cent jump in the securities trading portfolio, to SFr3.5bn.

Net interest income was up only 6.2 per cent to SFr4.04bn. Customer loans grew only 4.3 per cent, as more turned to the capital markets for their needs.

Operating expenses jumped 18.1 per cent, to SFr6.7bn, mainly because of performance-related pay and early retirement schemes. Provisions for bad loans advanced 22 per cent, to SFr2.5bn, mainly due to the recession in Switzerland.

Total assets at the end of 1993 stood at SFr11.3bn, up a brisk 15.7 per cent. This was attributed to a 11.6 per cent jump in the securities trading portfolio, to SFr3.5bn.

Capital and reserves totalled SFr21.7m. After dividend payments, BISI capital will be 10.2 per cent. Return on equity was 11.5 per cent, above the group's mid-1990 target of 10 per cent.

Speculative futures dealing at MG Corp led to losses of DM3.9bn (\$1.35bn), and drove Metallgesellschaft to the brink of insolvency.

On Thursday, Mr Schimmelebusch blamed the company's near failure on the former management, claiming he had been wilfully misled by Mr Schimmelebusch and other directors.

Mr Schimmelebusch, who is believed to have been living chiefly in New York since he was dismissed, said he had frequently discussed MG Corp's oil futures trading activities with Mr Schimmelebusch during 1992 and 1993.

He said the dialogue was partly in the context of a joint venture between BISI and Metallgesellschaft, in which the bank tried to market oil derivatives programme to its German industrial customers.

WEEK IN THE MARKETS

Aluminium
hungry for
more cuts

The London Metal Exchange's aluminium market marked time this week as it assessed progress so far with the policy of multilateral production cuts and awaited next week's meeting of the producing countries in Ottawa, at which the policy will be reviewed and, so traders hope, confirmed.

The 12 per cent rally in prices since the policy was agreed last month in Brussels was more or less maintained, with the LME's three months delivery price closing yesterday at \$1,314.50 a tonne, up \$7 on the week. But it continued to appear somewhat fragile as prices headed to this week's days when no further cuts were announced.

LME WEATHERSTOCK STOCKS
(As of Thursday's close)

	tonnes
Aluminium	+16,873
Aluminium May	+140
Copper	+55,990
Lead	+875 to 330,776
Nickel	-12 to 332,210
Zinc	-
Tin	-

An \$18 fall on Monday was partially recouped the next day following news that a 39,000-tonnes-a-year cut was planned in Argentina. Tomago, but this rally was wiped out on Wednesday as the price dipped to \$1,290 a tonne. The announcement by Pechiney of France on Thursday that it was cutting output by 10,000 tonnes, rather than the 8,000 tonnes expected, sent the price back on balance.

The big loser among the precious metals was platinum, which saw its premium over gold narrow from \$12.90 as it fell \$7.40 to \$361.60 a troy ounce. Traders attributed the metal's decline to continued concern about the possibility of production being disrupted in the run-up to South Africa's April 26 election.

The London Commodity Exchange's market began quite strongly in response to Friday's fall in New York. But prices slipped to \$1,047 a tonne, while the May futures position ended at \$924 a tonne, up \$21 on balance.

On the final day of the week, the new price stabilising International Cocoa Agreement had come into effect on Tuesday (although consumer demand below requirements) came as no surprise and had little impact on sentiment. Neither did the year's expected world production fall of 110,000 tonnes, which would be the third in a row, be followed by three more, totaling 350,000 tonnes.

Richard Meeney

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1222.4	1314.5
Previous	1222.3	1314.5
High/low	1222	1170
AM Official	1300-5	1321-1.5
Kerb close	1216-6.5	
Open Int.	271,723	
Total daily turnover	31,161	

■ ALUMINIUM ALLOY (\$ per tonne)

	Cash	3 mths
Close	1150-5	1170-5
Previous	1150-5	1170-5
High/low	1155	1170
AM Official	1150-60	1170-5
Kerb close	1170-5	
Open Int.	3,675	
Total daily turnover	619	

■ LEAD (\$ per tonne)

	Cash	3 mths
Close	474.5-5.5	488-9
Previous	468.5-9.5	489-9
High/low	500-50	500-50
AM Official	472-2.5	487-3
Kerb close	487-3	
Open Int.	50,385	
Total daily turnover	8,422	

■ TIN (\$ per tonne)

	Cash	3 mths
Close	5860-70	5920-5
Previous	5850-70	5920-5
High/low	5878-80	5930-5
AM Official	5878-80	5910-5
Kerb close	5910-5	
Open Int.	51,449	
Total daily turnover	8,422	

■ NICKEL (\$ per tonne)

	Cash	3 mths
Close	955.5-6.5	974-7
Previous	954-6.5	974-7
High/low	973-970	
AM Official	986.5-7	974-4.5
Kerb close	974-4.5	
Open Int.	108,835	
Total daily turnover	15,672	

■ COPPER, grade A (\$ per tonne)

	Cash	3 mths
Close	1864-5	1887-5
Previous	1864-5	1887-5
High/low	1883-7	1887-5
AM Official	1886-7	1876-6
Kerb close	1876-6	
Open Int.	248,793	
Total daily turnover	37,525	

■ HIGH GRADE COPPER (COMEX)

	Cash	3 mths
Close	186.70	187.00
Previous	186.70	187.00
High/low	187.00	187.00
AM Official	186.70	187.00
Kerb close	187.00	
Open Int.	10,074	
Total daily turnover	1,400	

■ PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.) \$ price £ equiv.

	Cash	3 mths
Close	582.70	582.75
Previous	582.70	582.75
High/low	582.70	582.75
AM Official	582.70	582.75
Kerb close	582.70	
Open Int.	2,043	
Total daily turnover	3,111	

Silver (Troy oz.) \$ price £ equiv.

	Cash	3 mths
Close	18.00	18.00
Previous	18.00	18.00
High/low	18.00	18.00
AM Official	18.00	18.00
Kerb close	18.00	
Open Int.	1,000	
Total daily turnover	1,000	

■ GOLD FUTURES (COMEX)

	Cash	3 mths
Close	103.62	103.75
Previous	103.62	103.75
High/low	103.62	103.75
AM Official	103.62	103.75
Kerb close	103.75	
Open Int.	100,775	
Total daily turnover	1,000	

■ PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Platinum (Troy oz.) \$ price £ equiv.

	Cash	3 mths
Close	1,012.10	1,012.10
Previous	1,012.10	1,012.10
High/low	1,012.10	1,012.10
AM Official	1,012.10	1,012.10
Kerb close	1,012.10	
Open Int.	1,012.10	
Total daily turnover	1,000	

■ PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Rhodium (Troy oz.) \$ price £ equiv.

	Cash	3 mths

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 11 pm on Thursday and settled through the Stock Exchange Telsman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 52(2) stocks are not regulated by the International Stock of the United Kingdom and the Republic of Ireland Ltd.

② Bungs are taken the previous day.

British Funds, etc

Treasury 13 1/2% Bds 2000/03 - 13423 103/9

13423 158/4

Exchequer 10 1/2% Bds 2005 - 13423 104/2

13423 226/4

Corporation and County Stocks

Birmingham Distri Council 11 1/2% Red Bds

2012 - 13262 1/2 1/2 1/2 1/2

Durham County Boro Council 7% Ltr

13423 219/9

London City 13 1/2% Red Bds 2000 - 13423

3 1/2 1/2 1/2 1/2

Midland 13 1/2% Red Bds 2007 - 13423

1218 222/24

Nottinghamshire County 11 1/2% Red Bds

13423 119/4

Nottingham Corp 3 1/2% Red - 140 21/Febr

Reading Corp 3 1/2% Red - 145 21/Febr

Bedfordshire 13 1/2% Red Bds 2008 - 13423

21/Febr

Foreign Stocks, Bonds, etc. (coupons payable in London)

Abey National Savings Capital PLC 1/2% Bds

19/Febr

Abey National Savings Capital PLC 1/2% Bds

21/Febr

Abey National Savings Capital PLC 1/2% Bds

Sub Bds 1/2% 1/2% 1/2% 1/2% 1/2%

13423 163/2 21/Febr

Abey National Treasury PLC 1/2% Red Bds

19/Febr

Abey National Savings Capital PLC 1/2% Bds

Sub Bds 1/2% 1/2% 1/2% 1/2% 1/2%

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Barclays PLC 1/2% Red Subord Bds (Ord/Par)

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Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautra SS

INITIAL CHARGE: Charge made on sale of
water. Used to defray management and

offer price, also called issue price. The price at which units are bought by investors.

SELL PRICE: the selling price.

ED PRICE: Also called redemption price. The price at which units are sold back by the plan.

CANCELLATION PRICE: The minimum redemption price. The minimum spread between the offer and bid price is determined by a formula laid down by the government. It usually starts with a fixed amount and then increases with the market price.

long carries out. The prices appearing in the newspaper are the most recent quoted by the brokers.

SCHEME PARTICULARS AND REBATE The most recent report and analysis can be obtained from the Scheme Manager.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (—) = 0001 in 1000 hours; (24) = 14001 in 1400 hours; (44) = 1401 to 1700 hours; (49) = 1701 to midnight. Daily closing prices are set on the basis of the valuation point; a short period of time may elapse before unit prices become available.

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AMERICA

Steady Dow unable to make headway

Wall Street

US stocks were mixed yesterday morning as investors tried to shake off the lingering effects of Thursday's big sell-off, writes Frank McGuire in New York.

In a break from the recent pattern, the blue chip index was the laggard. By 1pm, the Dow Jones Industrial Average was down 3.65 at 3,636.24, while the more broadly based Standard & Poor's 500 pushed 1.55 ahead to 465.61. NYSE volume reached 151m shares by 1pm.

The secondary showed an improvement. The American Stock composite

edged 0.66 ahead to 466.24, while the Nasdaq composite gained 3.02 to 782.72 as technology stocks bounced back.

Investors took advantage of the lull to adjust their positions in the wake of a 51-point drop in the Dow on Thursday. The previous session's bargain-hunters turned out early, lifting the broader index by 15 points at the opening. However, the bounce was short-lived, and share prices soon sagged in listless mid-morning trading.

A firmer trend in the US Treasury market provided little positive motivation for equity investors, even though plunging bond prices had contributed to the swoon in stocks

on Thursday. Activity was uninspired in both markets, with many investors staying on the sidelines ahead of next week's batch of important economic data, which could signal the Federal Reserve's next move to lift short-term interest rates. Bell Atlantic, which triggered Thursday's lull with its decision to scuttle its proposed merger with Tele-Communications Inc, tacked on \$4 to 365. US West, another regional group, was up 3.1% at 420.

On the Nasdaq, TCI's A shares, which dropped 1.1% on the news of the deal's collapse, rebounded 1.1% to 323.2, after Mr John Malone, its chairman, succeeded in reassuring money managers on the company's strategic goals.

Among other technology stocks hit hard the previous session, DSC Communications rebounded 2% to \$34. Antec took back \$1 to \$30, and Cisco Systems regained 6.1% to \$73. Informix rallied 3.5% after Salomon Brothers upgraded the stock to "buy" from "hold".

A notable exception to the positive trend was Sybase, a software developer, which added 2.2% to \$23.2.

In retailing, Woolworth, a Dow industrial, was marked down 1.1% to \$21.2 after posting a quarterly loss of 35 cents a share, compared with earnings of \$1.25 a year earlier.

EUROPE

Bond market keeps pressure on Frankfurt

The continent finished a hectic week in a calmer mood, writes Our Markets Staff.

FRANKFURT was pressured by the bond market and the Dax index closed at its lowest level since November, off 15.27 at 2,074.92, a loss of 3.6 per cent on the week. The March Dax futures contract lost 8 to 2,080 and in the post-bourse the Dax fell 7.60 to 2,075.32.

There were some rises during the day, in spite of a generally negative tone: IBM climbed DM5.50 to DM221.50 and Lufthansa DM2 to DM212.40.

Daimler-Benz fell further in the post-bourse on news after the session officially closed that the group plans to take a rights issue, possibly in the summer, to raise some DM200. The shares closed the session off DM1.50 to DM204.50, before dipping to DM204.00.

ZURICH paid less attention to corporate results or the day's positive news on inflation than to movements in the Bund future. The SMI index shed 2.1 to 2,229.3 for a 3.2 per cent fall over the week.

FRANKFURT saw a bout of early profit-taking after reporting a 69 per cent rise in group net profit, but smaller than expected rise in the dividend. The price subsequently picked up at midday before窄ly falling through that Merrill Lynch had downgraded the issue from a "buy" to a "sell", leaving the stock to finish SF6.20 or 2.6 per cent fall at SF14.15.

PARIS enjoyed a calmer than in recent sessions with the CAC-40 index losing just 2.70 to 2,192.70, for a week's loss of 2.3 per cent.

Turnover was moderate at SF1.4m.

Pechiney dipped FF12.70 to FF19.30 after the chairman said that forecasts for 1993 profit would exceed that in 1992 were probably a little too optimistic.

Bearer shares in CS Holding dipped SF1.11 to SF1.74 and MILAN staged a technical

rebound which was reflected in a 62 rise to 10,463 in the second Mibet index, while the Comit index, finding strong support the SF6.50 level, gained 0.56 on the day to 855.10, a cumulative 4.9 per cent fall over the week.

PCI added Ls8 to Ls1.50 in volatile trading ahead of the start of the public share offer on Monday. Forecasts yesterday were for a privatisation price, being set this morning, of around Ls1.500.

Industrial blue chips saw some of the best gains. Fiat added Ls10 to Ls1.73 and the holding group, yet on Ls1.04 to Ls1.04.

Olivetti, continuing to benefit from speculation that it will merge with a second mobile telephone licensee, added Ls8 to Ls2.32.

STOCKHOLM fell in line with other continental markets while Atelis Copco went against the trend with a rise of SF16 to SF14.65 following good results on Thursday.

The Affärsvärlden general index lost 0.2 per cent to 1,534.8.

Astra eased SF1.2 to SF1.75 and

Written and edited by John Pitt and Michael Morgan

With short-term interest rates already very low, the influence of interest rates will wane later in 1994 as room for cuts disappears. Expected improvements in corporate profits, which are forecast for 1994 and especially for 1995, are then expected to take over as the main motor behind further gains.

Mr Heinie Hakker of Barlays de Zoete West in Amsterdam says: "The Dutch business community has been working hard on rationalising in order to adjust to more competitive conditions. The market is looking to see this translated into profits."

This week, the 1993 corporate reporting season got under way in earnest, with annual results from Unilever, Royal Dutch/Shell, Hagemeijer and Akzo, among others.

The picture so far is coloured

by the negative reaction to Unilever, which yesterday had fallen to SF13.70 after unvei-

ASIA PACIFIC

Foreign buying keeps Nikkei buoyant

Tokyo

In spite of earlier cautiousness following Thursday's fall on overseas stock markets, active buying by foreign investors supported share prices, writes Emiko Teramoto in Tokyo.

The Nikkei 225 average rose a moderate 37.90 to 15,303.32, up 4.4 per cent on the week, on buying concentrated on multi-media related high-technology stocks. The index fell to a day's low of 15,293.16, then rose to a high of 15,300.88 as active foreign buying absorbed selling by institutional investors and arbitragers.

Volumes of 450m shares against 482m. Mr Yasuo Ueki at Nikko Securities said buying orders from continental Europe were growing. However, most domestic institutions remained inactive as corporate profit-taking was expected to continue through to the first half of March.

Declines led advances by 540 to 481 with 158 issues unchanged. The Topix index of all first section stocks rose 2.25 to 1,609.87 and the Nikkei 300 gained 0.55 to 2,984.07.

In London, the ISE/Nikkei 50 index rose 3.39 to 1,345.25.

High-technology issues gained ground. Hitachi, the day's most active issue, rose Y22 to Y377, while Sanyo Electric gained Y14 to Y485. Nippon Telegraph and Telephone rose Y1,000 to Y352,000 on news that the company would apply for a price rise in local calls to its ministry of post and com-

munications next month.

East Japan Railway advanced Y2,000 to Y505,000. Car companies were also popular among foreign investors, with Toyota Motor up Y30 to Y1,990 and Nissan Motor rising Y22 to Y240. Banks were lower on corporate profit-taking. Yama Bank declined Y40 to Y1,470 and Nippon Credit Bank Y70 to Y70.

In Osaka, the OSE average rose 12.38 to 21,944.08 in volume of 62.4m shares.

Roundup

The region remained turbulent yesterday. Manila and Bangkok were closed for holidays.

AUSTRALIA fell to its lowest close in seven weeks, driven down by declines on overseas markets and weaker futures and bonds.

The All Ordinaries index lost 4.82 to 2,148.3, 3.8 per cent across the week.

Stocks were hit across the board, with some 450m of option expiries boosting volume to 370m shares valued at A\$1.1bn.

BHP slumped 46 cents to A\$17.76 and News Corp 26 cents to A\$9.76. The resources sector lost 2.8 per cent with Western Mining down 26 cents to A\$7.05.

HONG KONG fell 2.1 per cent on fears of higher interest rates but strong profits by HK Gas helped the Hang Seng index to remain above the 10,100 level. The blue chip index lost 331.77 to 10,100.23, for a 6.7 per cent fall on the week.

SEOUL saw heavy profit-taking

in blue-chip shares pull the composite index down 12.38 at 919.75, a week's decline of 0.8 per cent.

TAIWAN was weakened by worries about further US interest rate rises and the poor performances in other major markets. The Straits Times Industrials index fell 2.75 to 2,387.61, 1 per cent higher over the week.

The market for speculative Malaysian shares traded over the counter was unaffected by a Malaysian "Buy British Last" policy but institutional traders thought that British investors might be disinclined to commit more funds in Malaysian stocks.

KUALA LUMPUR finished off the day's lows on afternoon bargain hunting after shares took a tumble in the morning due to weaker overseas markets and concerns over Malaysia's retaliation to British allegations of an "arms for aid" controversy.

KARACHI closed at a record high, helped by strength in banks and energy stocks. The KSE 100-share index rose 2.98 to 2,465.10, surpassing the previous record of 2,467.40 set on January 18. Volume rose to 9.8m shares from yesterday's 5.6m shares.

Overseas funds took a keen interest in energy stocks after the government announced incentives to power industries.

BOMBAY rose sharply on across the board buying by speculators and foreign and domestic institutions ahead of Monday's annual budget, which is expected to lower corporate income tax and the custom and excise duties. The BSE 30-share index rose 104.68 or 2.5 per cent to 4,236.95 for an 8.3 per cent rise over the week.

SEOUL saw heavy profit-taking

FT ACTUARIES WORLD INDICES

Partly compiled by The Financial Times Ltd, Goldman, Sachs & Co. and NatWest Securities Ltd, in conjunction with the Institute of Actuaries of America, the Faculty of Actuaries

Country	US	Dollar	Change %	THURSDAY FEBRUARY 24 1994			WEDNESDAY FEBRUARY 23 1994			DOLLAR INDEX		
				Local	Local	US	Local	US	Local	Local	US	Local
Australia (55)	180.42	119.91	-0.1	181.43	181.22	121.02	182.98	183.04	183.19	130.97	130.97	
Canada (17)	188.45	124.15	-1.2	188.60	124.15	127.72	187.85	187.85	187.85	140.00	140.00	
France (107)	184.10	124.44	-0.3	184.44	124.44	125.74	185.15	185.15	185.15	137.00	137.00	
Germany (125)	188.95	128.89	-1.1	189.51	128.74	129.02	189.51	189.51	189.51	137.50	137.50	
Japan (22)	145.54	124.54	-2.4	145.85	124.54	124.80	146.10	146.10	146.10	116.75	116.75	
Switzerland (22)	174.82	127.17	-1.7	175.17	127.28	127.12	175.28	175.28	175.28	138.00	138.00	
United Kingdom (21)	130.80	125.20	-1.5	131.07	125.20	125.20	131.07	131.07	131.07	118.50	118.50	
United States (50)	149.45	124.75	-2.0	149.55	124.75	125.00	149.65	149.65	149.65	121.00	121.00	
Other (14)	78.47	72.32	-2.0	78.52	72.32	72.32	78.57	78.57	78.57	65.50	65.50	
Total (55)	153.09	101.94	-2.1	153.35	101.94	101.94	153.45	153.45	153.45	110.40	110.40	
Indonesia (55)	540.28	329.79	-0.2	541.59	329.79	329.57	542.54	542.54	542.54	380.00	380.00	
Malaysia (18)	220.97	137.95	-0.3	221.25	137.95	137.95	221.25	221.25	221.25	180.00	180.00	
Other (25)	171.97	121.11	-0.5	171.97	121.11	121.11	171.97	171.97	171.97	135.00	135.00	
Other (32)	201.10	131.91	-0.7	201.51	131.92	131.92	201.51	201.51	201.51	145.00	145.00	
Indonesia (45)	365.27	235.25	-0.2	365.59	235.25	235.25	365.59	365.59	365.59	320.00	3	

Tories' European allies insist on federal stance

By Kevin Brown,
Political Correspondent

Mr John Major's difficulties in Europe worsened yesterday as the Conservative party's allies in the European parliament insisted that the party must commit itself to a federal Europe after the European election in June.

Conservative leaders dismissed the party from the federal manifesto of the European People's party since it appears in the manifesto in the Financial Times on Thursday.

The manifesto, published in Brussels yesterday, calls for a monetary union, supports the social chapter of the Maastricht treaty, and commits EPP to European integration by a single constitution.

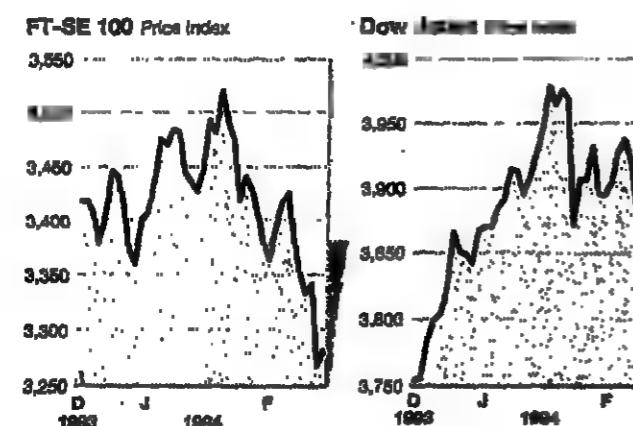
Christopher Prout, a Conservative MEP,

in a letter to the FT today, said the Tory party had "no formal links" with the EPP and did not negotiate with it on the manifesto.

However, the minutes of the EPP meeting which approved the manifesto on February 3 show Christopher Prout, MEPs present.

Mr Thomas Jansen, EPP secretary-general, said the British MEPs were present as observers when they were present at the EPP parliamentary group which binds its members on the document, including the elected MEPs, including the general and financial provisions. "It will bind the framework in which the EPP and the [parliamentary] group will work after the European election," he said.

Tax battle, Page 8
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Markets end on nervous note after week of heavy selling

By Middelmann
Terry

European bonds and stocks had a hectic week sharply lower yesterday, although heavy selling of previous days eased.

European markets again had early trading yesterday after overnight drops in Treasuries. The markets stayed calm, and ended above their lows. "It wasn't the same panic that gripped the markets Thursday," said a London bond trader.

Traders in Europe but remained nervous as they kept a close watch on bond prices. The best performance was in London, where the FT-SE 100 index closed 13.7 higher than the firmness in UK securities.

The UK government

posted the biggest gains in European markets yesterday, having had the most ground the day before. The Little March long gilt futures ended at 1128, up 4 1/2 points. Gilt yields from Thursday's lows as investors moved from other European markets, continued to fall as bearish sentiment German 10-year bonds ended nearly 1/4 point lower than their French counterparts. The UK stock market closed by about 3 per cent during the week.

The recovery in equities was helped by comments from leading analysts that interest rates were unlikely to rise in the near future.

According to Salomon Brothers, world government bonds lost 0.86 per cent in local currency terms in the week to Thursday. Although Treasuries sparked the European sell-off, they had the period

up 0.5 per cent, outperforming the non-dollar which dropped 1.1 per cent. Gilt yields from Thursday's lows as investors moved from other European markets, continued to fall as bearish sentiment German 10-year bonds ended nearly 1/4 point lower than their French counterparts. The UK stock market closed by about 3 per cent during the week.

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The US group is understood to have accepted the principle of further concessions in these areas but is trying to limit the scale of the cuts. However both camps are confident they will be able to find a solution by March 31, the deadline set by Disney.

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Weekend FT

SECTION II

Weekend February 26/February 27 1994

Venice: the city sinking in lethargy

In the 27 years since the last great flood, there has been a lot of discussion but little action to save one of the world's great treasures, write David Lascelles and Robert Graham

It was in November 1966 that Venice was swamped by the worst floods for several centuries. The disaster woke the world to the perils facing one of the treasures of western civilisation. But today, more than 27 years later, not a stone has been laid to prevent a recurrence of the disaster, in spite of the combined problems of subsidence and rising sea levels which threaten the city.

La città non ha fatto nulla. The city has done nothing," says Rino Brutomesco, director of Città d'Acqua, the Venice-based association of waterfront cities. "The Dutch have built new barrages, London has built the Thames barrier. This city has nothing, only plans."

Brutomesco is certainly right about the plans. In a spacious palazzo on the Campo San Stefano near the Accademia bridge, Francesco Bandarin, an architect, has a detailed design for Venice's sea defences. He works for the Consorzio Venezia Nuova, the government-appointed consortium of building and engineering companies which was charged nine years ago with the task of protecting Venice from floods.

He knows the problem in minute detail: the tidal currents, the type of barrage needed, the cost, the timescale for construction. The plan is for an elaborate system of barriers to close off the three large entrances to the lagoon, consisting of rows of giant hollow metal boxes fixed to hinges on the sea floor. When high tides threatened, they would be filled with air and swung up to hold the water back.

Across the square, Bandarin's colleague, Paolo Basciari, occupies a building full of computers into which has been fed a mass of information about the Venice lagoon: depth, temperature, concentrations of pollutants, tidal charts. At the push of a button he can print-out maps showing whatever the inquirer wants to know.

But apart from a working model of the proposed barrage, the practical application has got no further. "We've already spent more time waiting for this project than it will actually take to build," says Bandarin.

Like much of what happens – or does not happen – in Italy, the blame for this state of affairs can be laid at the door of the politicians. In the aftermath of the 1966 disaster, the Rome government made a prompt response: it declared the city's fate a matter of national interest and provided money to enable work to start not just on flood protection but also cleaning up the lagoon and restoring buildings.

Much has been achieved in these last two areas, partly with international sup-



Under threat: the Grand Canal in Venice. Can the city be defended against the waters without destroying the industry and wildlife of the lagoon?

port. Many fine palazzos and churches have been re-opened. Shipping channels have been dredged, and water treatment plants built on the edge of the lagoon.

But Venice's problems have become increasingly caught up in the chaos and corruption of Italian politics. At the national level, Rome created a proliferation of laws and agencies to deal with its problems, but persistently postponed the big decisions. When the Consorzio produced its barrage proposals in 1988, the government sent them back because they were too intrusive. Rome wanted a barrier that lay entirely hidden underwater. So, in 1992, the Consorzio sent in revised plans which met these criteria. The plans are still in the government's in-tray.

At the local level, the highly politicised Venetian administration fought for state aid, not so much to protect the city as to have the money to disburse patronage and influence. During the latter part of the 1980s, Venice was cynically carved up between the Christian Democrats and Socialists with a tacit deal to let the volatile Gianni De Michelis, the Socialist foreign minister, become a latter-day Doge.

He, along with his entire Venice network, has been swept aside by the corruption scandals which have rocked Italy in the past two years. Several of these related directly to Venice: at one stage last year De Michelis was assailed by a hostile crowd.

But politics is not the whole story. The longer the delay, the more doubts have grown as to whether the grand barrier scheme is really the answer to Venice's problems. Time has enlarged people's understanding of Venice's predicament. Other perils have come to be viewed as equally threatening as the famous floods. The position has become much more complex, the priorities less clear.

Venice is now seen not just as a jewel to be saved but as part of a vast environmental and economic system represented by the Venetian lagoon. Any solution to Venice's particular problems must be balanced with regard to other interests. This 550 sq km of water, for example, is home to Italy's largest petrochemical complex, at Mestre, upon which 15,000 jobs depend. Anything that interferes with the free movement of traffic in the lagoon or activity on its shores could threaten their livelihoods.

The lagoon also receives the run-offs – and thus the mess – from nearly 2,000 sq km of the surrounding watershed. Then there are the less well-known problems of Venice itself: the shortage of housing and jobs which is driving away young people; lack of money to dredge the canals; absence of a proper sewage system.

The key point in the new phase of the debate is whether the barrage should be the top priority – whether it is even necessary. The Consorzio argues that it is. According to Bandarin, Venice now suffers from a mild form of flooding called *alto acqua* (high tide) more than 40 times a year, compared with only six times at the start of the century.

This is partly because of rising sea levels, partly because Mestre's industries have sucked out the ground water and caused Venice's foundations to sink. The combined effect has been to leave Venice 32cm lower in the water. Water laps above the impermeable Istrian stone which the resourceful Venetians used to build their foundations, and soaks the brickwork, allowing the damp to rise and attack the walls and plaster.

Bandarin calculates that the chances of a catastrophic flood have increased from once every 500 years to once every 20. But is that a sufficient risk to justify a project

equivalent to half a Eurotunnel?

Paolo Costa, rector of the University of Venice, who occupies an office in one of the palazzos overlooking the Grand Canal, says: "The idea of defending Venice from the sea is declining. It's technically difficult, and there is uncertainty about the size of the risk." People have learnt to live with high tides, he says. They move their precious things upstairs and put barricades across their doorways to hold the water back.

People have also begun to challenge the Consorzio's interest in the issue. They accuse it of deliberately stirring up fears of floods in order to win government contracting business for its members. It is certainly the case, as the Consorzio concedes, that Venice's sinking problem appears to have eased now that steps have been taken to halt the depletion of the aquifer.

But Bandarin raises the threat of global warming and the melting of the polar ice caps. "Do you see the sea being higher or lower in the years ahead?"

He also rejects criticism of the Consorzio's "big business" approach. "There's been a noticeable cultural shift in this office away from big engineering to incor-

porate environmental factors," he says. Some 60 per cent of the Consorzio's budget goes on environmental work, such as restoring wetlands and bringing lost sediment back into the lagoon.

But even among those who share the Consorzio's view that floods are the greatest threat, there is scepticism as to whether a barrage is the best answer.

They fear the project would upset the ecology and tidal flows of the lagoon. Alternatives have been considered, such as filling in the shipping channel to staunch the flood tides, but, as Bandarin points out, the largest channel did not even exist at the time of the 1966 floods.

If support for the barrage is waning, what priorities are taking its place? The clean-up of the lagoon is the strongest contender. Although much has already been done to stop discharges of raw sewage and industrial effluent, water quality is still poor, even filthy at times. The problem lies not just with the local municipalities which are within Venice's control, but with distant towns and villages bordering rivers which feed the lagoon. Much of this pollution is agricultural nutrient which

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The Long View/Barry Riley

Trimming the hedges

Speculation, my old textbook told me, was a good thing, in moderation. It lubricated the market and helped provide the liquidity which enabled long-term users of markets to move in and out. Sometimes, though, the gambling gets out of hand.

This week we have seen the powerful impact of the unwinding of speculative positions in the global securities markets. Bond prices have been tumbling – the long bond yield has soared from 6.5 to 7.3 per cent since the start of the year – and London's FT-SE 100 Index took a dramatic 74-point dive on Thursday.

Such corrections generate all sorts of rationalisations. People argue that expectations about inflation have worsened, or that fears of rising short-term interest rates upset sentiment.

Obviously the trigger for all the damage of the past few weeks – which has seen Hong Kong's Hang Seng index tumble by 16 per cent from its peak, for instance, has been a modest quarter-point rise in long-term interest rates. But what we are actually seeing is a reversal in which the markets are moving back to levels at which prices will again be set essentially by long-term investors.

A clue to the nature of recent events can be discerned in the role of derivatives. The biggest movements in the London stock market this week have been seen in the blue chips which make up the Footsie Index, which in turn is the basis of the Little futures contracts. Small capitalisation shares, in which there is no derivatives-based trading, have remained comparatively stable – although their prices are inherently more volatile because of poor liquidity.

Another clue is that different kinds of securities have been tumbling in price together. On Thursday, for instance, long-dated fixed interest gilts and index-linked gilts were tailing sharply, just like equities. What has been happening is not a reappraisal of prospects for economic growth or inflation but an

upward shift in real interest.

This is the most fundamental of all measures of the return to investors, and it appears that so far there has been a rise of nearly half a percentage point in the real long-term interest rate since the end of 1993. Last year this rate declined, despite the surge in government and other borrowing around the world which might have been expected to lead to a shortage of savings.

Essentially what happened in the second half of last year was that large amounts of speculative money entered the international securities markets. Some of this was reflected in the banking statistics in the US and the UK, which showed a sharp increase in lending to securities firms and investment banks.

I have written before about the activities of US banks in making big profits out of the spread between 3 per cent money market deposits and bond yields of 5 or 6 per cent. An increasing role has also been played by the so-called hedge funds, of which the most famous is George Soros's Quantum Fund (which was this week reported to have lost \$900m on the recent unexpected jump in the yen against the dollar).

The name "hedge funds" is something of a misnomer. It certainly does not mean that they hedge their risks. Today's hedge funds are the ultimate in speculative offshore vehicles, ready to trade on any kind of financial market, and often in commodities as well and prepared to leverage the risks and returns by taking on positions which are several times as large as their underlying capital.

Hedge fund managers receive hefty performance-related fees, often of something like a basic 2 per cent of funds managed, turned up with 20 per cent of any gains over a modest benchmark rate of return. There is thus a strong temptation to go for broke, because the managers can earn millions if their geared-up gambles pay off. If things go wrong, investors can lose everything but managers only lose their jobs.

Operators like Soros have been

playing this game for years but the talk recently has been of the establishment of several new hedge funds. Last year the profits were generally spectacular as markets around the globe trended higher, with a particular surge in the final quarter as new money piled in. The trouble is there are no statistics which might shed reliable light on the volume of this kind of speculative money (although *Fortune* magazine this week estimated that the worldwide total value of all kinds of derivative contracts is about \$16,000bn). Risks arising from major shifts or even panics can only be guessed at.

The activities of aggressive players in this kind of scale can lead to a kind of feedback – which Soros, an intellectual among speculators, has dubbed reflexivity. Rising markets suck in more money until the bubble bursts; new hedge funds can find backers in these circumstances. The biggest of all these bubbles in terms of capital committed – although by no means in terms of size of capital gains – appears to have been in US Treasury bonds.

Prices peaked out as long ago as last October, since when the interest rate on long-dated dollar bonds has risen by almost a full percentage point. The game subsequently shifted to European bonds, but this gamble is now coming to grief as well.

Naturally the market is buzzing with scare stories about the size of the losses suffered by some of the hedge funds and banks. The motive of Quantum Fund in disclosing a figure appears to have been to counteract some of the wilder rumours. There is no way of knowing how long the sell-off will continue. But in the bond markets, at least, yields have now climbed to levels at which long-term investors are going to start absorbing the paper being dropped by the short-term players. I would not be so confident about UK equities; the average dividend yield on UK equities offers too small a margin over the 3.3 per cent real yield on index-linked gilts.

There is trouble when speculation produces not liquidity, as in my textbook, but liquidation.

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Everything stops for tea. Giles MacDonogh rattles the teacups ... XVII

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MARKETS

London

Shares sink as the cash tide flows out

Peter Montagnon

In like a lion, out like a lamb. Whether March's proverbial reputation applies to the stock market as well as the weather. Certainly the last week of February has been tempestuous with a net fall of 100 points in the FT-SE 100. Whether that makes the stock market a lion or another animal. This week it looks more like a lamb and to the market's shame for incurred by the speculative funds.

Thursday it seemed that the dam had well and truly burst - not the Malaysian one still shoring up the government and companies, but the dam which was supporting the reservoir of liquid cash sloshing about world markets in search of yield.

The crack which appeared when the Federal Reserve tightened three weeks ago widened to let through a flood of selling, particularly in the futures markets.

Equities' relationship with index-linked gilts is erratic. The yield premium against five-year futures has fallen to only 1

The equity/gilt yield ratio

Medium term gilt yield divided by FT-SE A All Share dividend yield



Source: Datastream

percentage point from 2.4

points a year ago.

That suggests equities have room to forge ahead and yields will again. There is a chance this is happening once the hedge fund turmoil is over.

With muted inflationary expectations yields of around 7 per cent gilts look appealing. The premium of nearly a full percentage point over German government issues may also be reasonable.

It is foolish to expect the hedge fund liquidity to reappear in a hurry.

Since equities are still trading at relatively high price/earnings multiple of around 23 times, the focus may shift away from those stocks which benefit from falling interest rates towards those in manufacturing and engineering which have genuine growth potential.

Provided these can produce a strong growth, there may be little need for worry. If not, more trouble may be ahead.

So far the company reported season has produced earnings just about in line with expectations, with dividends slightly ahead of expectations.

The dividend record is distorted, however, by a few companies with large dividends paid out exceptionally large increases.

The picture is not clear cut by this, but it is distinctly mixed.

Equities' prospects are descriptively flattering. On Tuesday the market paid a dividend payment by 17 per cent to 25.03p, in spite of a restructuring charge and earnings pressure on its branded goods market.

British Gas' announcement of a 3 per cent rise in profits from a profit of 263m in 1992.

Both paid only modest increases in gilts dividends, though, so the largely reduced currency movements. Unilever paid a 20p dividend in spite of a 21.30p share price.

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FINANCE AND THE FAMILY

Are company cars a waste of money?

With a new tax system for business drivers imminent, Scheherazade Daneshkhoo examines the impact

Should you keep your company car? The question arises because a new system of taxing the UK's 1.8m company car drivers will come into force from next month.

The old scale charges, based on three engine-size bands and two price "thresholds," will disappear. Under the simpler replacement system, tax will be paid on a fixed percentage of the manufacturer's list price when new, plus any extras and value added tax.

The new system - detailed by Norman Lamont, the former chancellor of the exchequer, in his March 1988 Budget - is aimed at ending distortions in the new car market. The government has said that, on average, the amount raised will be the same as under the old system, although some people will pay more and others less.

Most pay-as-you-earn employees will not be able to tell from their tax code if they are better or worse off because most are based on the old system. The Inland Revenue says this is because list prices have not been submitted by employers. Codes taking the new tax system into account will have the word "new" alongside the car benefit figure.

If the old system works to your advantage, it is unlikely you will be in a hurry to have your code changed; otherwise, you or your employer should contact the Revenue with the list price of the company car to have the code revised as soon as possible.

How will the new system work?

The amount on which you will pay tax at your marginal rate is 35 per cent of the list price of the car the day before it was registered; this price must include VAT, delivery charges, and any accessories of £100 and over.

The price is capped at £20,000, so that cars with a list price above this

amount will be taxed at the price had been £20,000.

Drivers covering 2,500-17,500 miles will have a reduction of a third on their assessment, while those covering more than 18,000 will receive a discount of two-thirds.

If your company car is four or more years old at the end of the tax year, there will be a further one-third reduction on the figure after deductions for business mileage.

The rules differ for classic cars or those without a list price. If a car is 15 years old or more at the end of the tax year, or has a market value of £15,000 or more (which is higher than the manufacturer's list price when the car was first registered), the price for tax purposes will be the open market value of the car and its accessories.

Fuel provided for private use will be taxed on the basis of the car's engine size and whether it is petrol or diesel-powered. But there is no tax if you pay for private motoring fuel yourself.

You can also reduce your tax bill if you contribute towards the cost of the car or its accessories to a maximum of £5,000 (including VAT).

Kevin Paterson, of accountant Ernst & Young, says the new system throws up some unfair anomalies. If it had been operating last year, two drivers doing the same business mileage in a Ford Mondeo 1.6iX, one taking delivery in March and the other in June, would have faced a £200 difference in their car benefit charge.

This is because Ford changed the list price of the car at least twice in the year.

Who will gain?

Table 1 shows how to calculate if you will gain under the new rules. First, identify into which of the five brackets your car falls under the old system, based on its cost when new and its cylinder capacity.

Then compare your car's list price to the break-even list price shown in



the first column. If the list price is greater than the break-even figure, you are a loser; if it is less, you are a winner.

For example, all drivers of two-litre cars costing less than £19,265 will be hit if the list price of their car is greater than £12,514.

A survey released this week by W.F. Corroon, an actuarial and benefits consultancy, found that middle managers driving mostly Fords, Vauxhalls and Renaults costing between £16,000 and £23,500 would lose the most under the new system, with some paying as much as £600 extra tax.

Corroon's Ian Morgan said: "Chairmen, chief executives and managing directors who drive mainly Jaguars, BMWs and Mercedes, costing between £28,000 and £36,000, are affected less, with about one in three having to pay a higher tax bill and the remainder paying less."

Table 2 shows the change to your tax bill if you drive one of the 20 cars listed. Drivers of very expensive cars face the heaviest increase, while those with the cheapest listed will see a fall.

There are some oddities caused by the way the old scale charges were

calculated. The driver of a Ford Granada 2.0i Ghia with a list price of £19,150 will have to pay an extra £550 (on the assumptions stated in the table).

But the driver of a Saab 9000 CSE 2.0i with a list price of £20,265 will see a fall of £594. This is because of the difference in the old scale charge for the two cars.

In general, the losers are those drivers who chose cars at the top of the old bands," says Paterson.

How to decide between keeping the car or taking cash. Many company car drivers will have made this choice already, especially after scale charges were raised by 8 per cent for the 1988-89 tax year.

Calculating whether you would be worse or better off is difficult because it is hard to put a price on the convenience factor of driving a company car. If it breaks down or is involved in an accident, you do not have the bother of arranging a replacement or negotiating with the insurance company. And, if the insurance premium goes up because of an accident, you do not have to pay the increase.

"Perks" drivers who do not clock 2,500 business miles will pay proportionately the largest amount of tax, since they will not benefit from the

Table 1: BREAK-EVEN LIST PRICES

Band	Break-even list price (£)	Annual taxable benefit (£)		
		2,500 miles or less	2,501-17,500 miles	18,000+ miles
More than 220,000	220,000	15,080	10,040	5,020
210,251-220,000	210,251	9,515	6,210	3,105
Less than 210,250				
Engine size				
1,400 cc or less	9,500	3,485	2,310	1,155
1,401-2,000 cc	12,814	4,485	2,920	1,495
Over 2,000 cc	20,571	7,200	4,800	2,400

Table 2: HOW MUCH WILL YOUR CAR COST YOU? (£)

Model	List price	Old scale charge	New	Change to tax bill
Roll-Royce Silver Spur II	118,000	10,040	18,887	8,827 3,451
Porsche 911 3.8 Turbo	50,489	10,040	18,887	8,827 3,451
Mercedes-Benz SL 500	74,400	10,040	18,887	8,827 3,451
Jaguar XJ	36,320	10,040	8,885	-1,165 588
BMW 730i 5.6	36,320	10,040	8,430	-1,610 588
Range Rover Vogue SE	36,130	10,040	7,883	-2,177 588
XJ6	31,130	10,040	7,883	-2,177 588
BMW 625i SE	21,130	6,210	4,724	-1,486 588
BMW 320i CSE 2.0i	19,150	2,920	4,485	1,565 588
Ford Granada 2.0i	19,150	2,920	4,152	1,232 588
BMW 320i SE 2.5	17,705	4,200	4,152	-48 588
Audi 80 2.2i	14,325	2,920	3,555	253 253
Vauxhall Carlton Plateau 2.0i	14,325	2,920	3,555	253 253
Ford Mondeo 1.8 GLX	13,300	2,920	3,105	113 45
Rover 214 SLI	11,985	2,910	2,797	-207 45
Peugeot 405 GL 1.6i	11,820	2,920	2,771	-249 45
BMW 316i 1.6i	6,775	2,910	2,281	-632 45
Mini	6,775	2,910	1,586	-2,224 45

Source: W.F. Corroon. Figures assume business mileage of between 2,500 and 17,500 and a 40 per cent taxpayer.

A tax cut that you'll hardly see

It is not every day that the government sets a tax rate at one level, only to reduce it a few weeks later, writes Richard Lapper. But this is exactly what has happened with the insurance premium tax, announced in the November Budget. Unfortunately changes in the way the tax will be charged will offset the impact of the reduction and consumers will hardly notice the difference.

The tax, which affects home, motor and some other insurances, will now be charged gross rather than net - before, rather than after, brokerage commission is deducted. The change will make it easier for insurance companies to collect the tax, and the rate has been lowered - from 3 per cent to 2.5 per cent - so as to reduce the burden on drivers and their insurers which would have resulted.

The yield - the amount of money raised - from the tax will now be about £750m in its first full year, rising to £830m in 1986-87. That compares with forecasts - calculated on the basis of a 3 per cent rate - of £775m and £840m. Policyholders will still face average increases of 3.5p a week on buildings, contents and motor insurance, although some companies have promised to absorb the tax rather than passing on costs to customers.

Some readers are wondering if the insurance tax can be avoided by pre-payment, adds Bethan Huton. But the government has taken steps to prevent this.

Tax specialist Maurice Fitzpatrick, of Chantrey Vellacott, points out, however, that by shortening the term of annual insurance policies so that they expire in September, then renewing them for a year before October 1, you will escape liability for the tax for another year. Whether insurance companies agree remains to be seen.

was £10,000 in 1986, one-third of the value would be £3,333 because the car is four years old," says Fitzpatrick. "The 3.5 per cent car benefit charge would, therefore, be levied on

the same car now would probably cost about £13,000, taking inflation into account, and the 3.5 per cent tax will be based on that amount. You have almost doubled your tax bill as a result of having a new company car."

Other ways of reducing the tax bill are to keep an eye on the number of accessories in the car, especially if you do not have it for the whole of the tax year. "While the car benefit charge is reduced proportionately if the car is unavailable for part of the year, the same principle does not apply to accessories," says Paterson.

"Accessories fitted part-way through the year increase the car price for the complete tax year and subsequently."

A number of organisations will calculate if retaining a company car is worth your while. London-based accountant Kingston Smith charges £23 while Wheatsell & Sudworth, another London account, will run the calculations through a computer

it is four years old. "If the list price

is £10,000, the car will be £3,333.

See Motoring - page XV

Four hundred of the world's most prominent families call Fisher Island home.

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Created by William K. Vanderbilt II, great grandson of American industrialist Commodore Vanderbilt, Fisher Island has been a favorite of the world's important people for 10 years.

The family's spectacular winter home included a dramatic home by the architect, the famous architect, and antiques from Napoleon's palaces. On

the grounds, Vanderbilt erected charming cottages and guest villas amid resplendent gardens and fountains. The mansion and surrounding structures have been restored to their former grandeur as The Fisher Island Club.

In recent years, impressive social and recreational facilities have been added. There is a P.B. Dye championship golf course, an international spa lauded by

Country is one of the finest of the 1980s; a racquet club with clay, grass and hard courts, two deepwater marinas which host the largest yachts in the world; a mile of Atlantic beach; and a variety of excellent restaurants.

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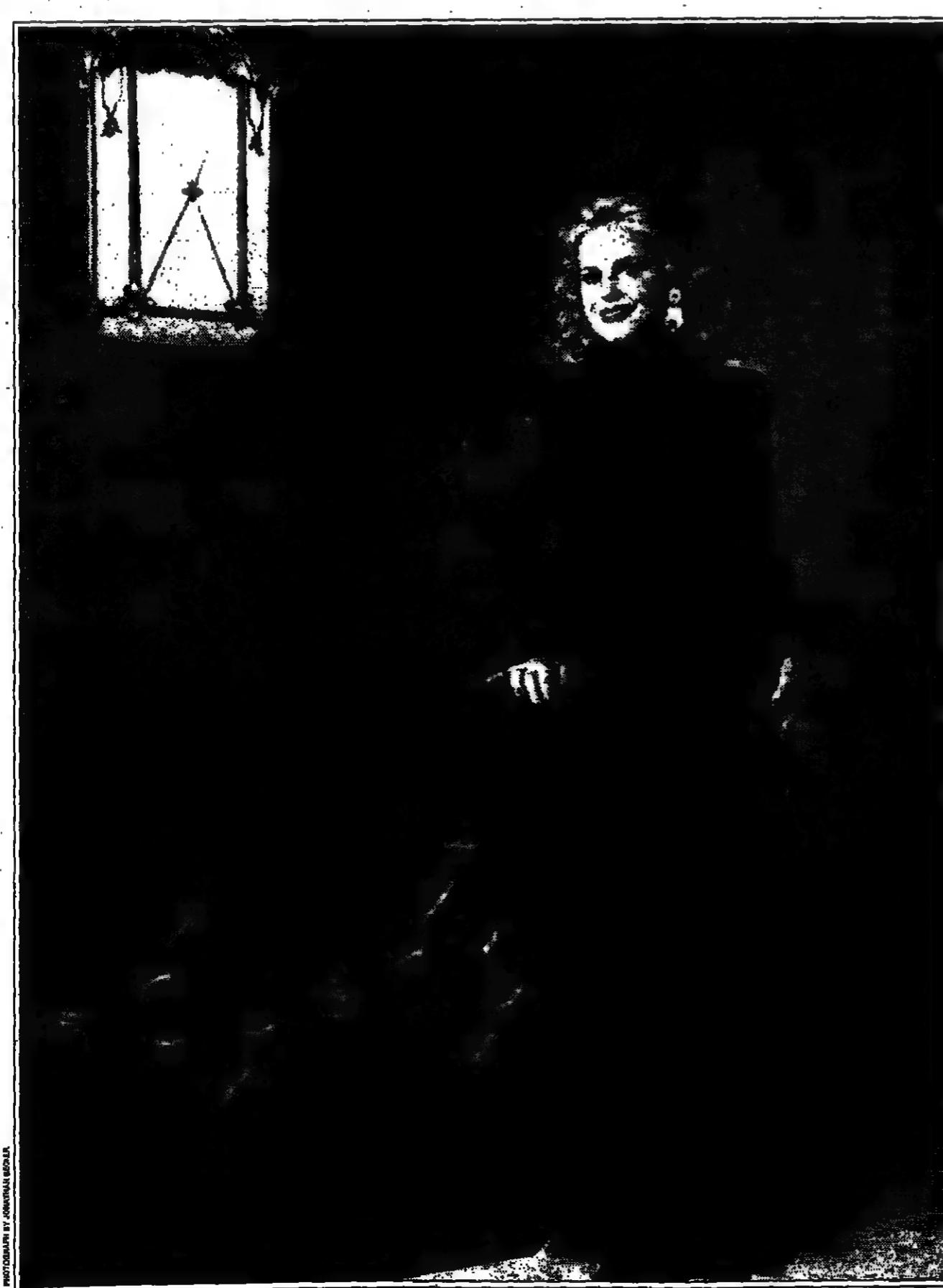
shopping plaza with its own bank, office, trattoria and clockmaster's office; and, perhaps most important of all, an atmosphere of security that residents lead a life of privacy and pleasure.

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PHOTOGRAPH BY CHRISTIAN ROSEN

FINANCE AND THE FAMILY

A man for all reasons

Bethan Hutton and Barbara Ellis on the insurance ombudsman's annual report



Jillian Farrand, the insurance ombudsman, does not have an easy job. On his desk - and those of his many assistants - land the cases of the most tenacious complainants and the most intransigent insurance companies. More and more arrive every year.

The task for Farrand and his staff is to look at the cases objectively and try to work out a common-sense solution which is fair to everyone involved. On average, one-third of cases result in at least partial success for the complainant.

This impartial approach means he is plagued by both sides. In his annual report, published this week, Farrand makes a heartfelt plea for people not to be abusive over the telephone or write every week repeating the same arguments. But he also asks insurance companies not to react negatively when facing an investigation.

Of the 63,000 calls and letters received by the bureau last year, almost 90 per cent concerned matters outside the scheme - only cases involving companies that belong to the scheme - and only when the customer has exhausted a company's own complaints procedure.

Farrand's jurisdiction covers the whole range of insurance, from a one-week travel policy to long-term life cover. The highest award made last year was £230,000 and the smallest £3.48. Occasionally, claimants are seeking merely a moral victory or, perhaps, an apology. Some cases handled by the bureau are disturbing. One involved joint life insurance policy, taken out by a married couple, where the husband murdered his wife in front of their three children before killing himself. A compromise was reached, under which half the policy's value was paid to the

Some are comic, such as a

policyholder's claim that the devastation caused by two young puppies with very sharp teeth left alone at home came under the definition of "animals colliding with the house". His case was rejected.

The bulk of the bureau's time, however, is taken up with much more mundane matters of home income plans, administrative incompetence, policy churning, subsidence claims and so on.

Once a case has been given to a worker, the average resolution time is 3½ months. But patience is necessary: the long-

'One case involved a husband who murdered his wife...'

gest-running case - a complicated matter of subsidence - has taken about seven years.

Life assurance continues to draw more complaints than any other single category. But 39 per cent of these are resolved in the customer's favour compared with 28 per cent for general insurance.

The most common complaints about life cover are poor communication, administrative failure, service, and mis-selling.

The level of fraud and excessive claims is worrying the insurance industry. Fraud is to life policyholders £1m a day, while there is widespread acceptance of the attitude: "It doesn't matter, I'm insured." But measures taken to clamp down on this can penalise honest, responsible claimants.

Insurers are tending to apply more strictly the "no care" provisions of many policies. Complaints frequently involve travel insurance, and belongings left on beaches.

In 1993, 24,000

worth of jewellery had been left unattended in a bag for 10 minutes, the ombudsman decided reasonable care had not been taken.

But in another, where the policyholder had taken his bag to the beach because his room was not ready, and was robbed after falling asleep, the complaint was upheld.

Sometimes, it can be difficult to determine the issue of good faith. The report tells of a man who took out several personal accident insurance policies to the value of £500,000 - then chopped off a finger and part of his thumb with a meat cleaver while making a chicken curry.

None of his claims was rejected, for essentially technical reasons, but the others were not. The issue of intent was not raised, however, and Farrand wonders if the man was extremely clever, or merely careless, with his cleaver.

Issues arising from a particular case sometimes lead the ombudsman to make general recommendations.

This year, Farrand urges life companies who know they are going to cut bonus rates to warn customers asking for a quote before the cuts are announced or implemented.

In the past, however, companies' response to general recommendations often has been to tighten the wording of their policies, usually to the detriment of the customer.

This is what happened with claims for matching items, such as furniture covers, when part of a set has been damaged.

The ombudsman's general view was that half the non-damaged items should be paid for. But many insurers responded by excluding matching items altogether.

B.H.

The Insurance Ombudsman Bureau, City Gate One, 135 Park Street, London SE1 9EA. Tel: 071-923 7602.

Compensation claims from home income plan investors have been pitched into further doubt in what has become a three-year tussle between the insurance and building societies ombudsman and the institutions under their jurisdiction.

Home income plans are packaged investments consisting of a mortgage taken out to buy an insurance company investment bond. Thousands were sold during the late 1980s on the basis that income from the bond would pay the mortgage interest and provide an income. But many salesmen failed to warn about the risks of spiralling debt and reported that house prices and investment returns fell, and interest rates rose.

Jillian Farrand, the insurance ombudsman, says home income plans are the most significant part of his work load, totalling about 1,000 cases now with one or two new complaints arriving daily. So far, he has closed about 80 cases, with payouts to investors averaging £25,000, and distress payments averaging £1,500. But Farrand now faces a challenge from Sun Life.

Last year, a QC acting as arbitrator in a case involving Legal and General ruled that the insurance ombudsman could not deal with a complaint about the mortgage element of an endowment mortgage package. Farrand felt this put home income plans outside his jurisdiction but John Craddock, a retired L&G executive who chairs the ombudsman's scheme board, said he should continue handling them.

Farrand now considers

a handful of cases involving Sun Life although the company says it does not think they fall into the category of home income plans. Geoffrey Holt, compliance executive at the company, says two of the investors took out roll-up mortgages from building societies, then approached a Sun Life salesman to invest the money raised in a bond.

We will look at the advice on the bond, but it is up to the societies to deal with the mortgage," says Holt.

Ombudsman covering the building societies have no jurisdiction over "pre-completion" matters such as advice given before a person takes up a mortgage as part of a home income plan. They are handling some home income plan complaints, but only with the voluntary consent of the societies concerned. Some have refused flatly to co-operate.

Although a Building Societies' Association report has recommended the ombudsman's jurisdiction be extended to pre-completion complaints, it was careful to exempt complaints about the selling of investments, saying these would be "more appropriate" to the new PIA ombudsman (see page VI) due to start work in July. But this could entail disastrous delay for investors, as most were elderly when they bought the plans.

Moreover, if the PIA also takes over Farrand's long-term insurance case load, home income cases presumably will be included, resulting in a probable halving of the maximum £100,000 compensation available from the insurance ombudsman now.

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TRAVEL

Antarctica - beyond the comfort zone

Michael J. Woods watches seals, terns and whales in inhospitable waters

With hardly a sound, the sea lapped on the shore of granite, ground to a silky smoothness by ice and water itself blanketed by a layer of snow.

Partly crab-eater seals lay enveloped in the folds of this fluffed and plumped duvet and sprawled on bluish ice floes carved and drawn like delicate graceful shapes by the sea. Distant cliffs of rock and ice through a layer of snow.

Antarctic birds cried and over a shoal of fish, diving and swooping upwards on confident wings. From a distance came the sudden roar of a collapsing cliff which, with a burst of force, a burst of sweeping ice, bay, a timely reminder that Antarctica is far from placid and, even in the austral summer, fierce and inhospitable.

I had come here to fulfil a childhood dream born out of Scott, Amundsen and Shackleton, nurtured by Edmund Hillary and Vivian Fuchs and given a final push by David Attenborough's series, *Life in the Freezer*.

From Punta Arenas in Chile our cruise ship, the *Explorer*, navigated the Beagle Channel, rounded the Horn and then braved the Drake Passage, a two-day gauntlet run by every visitor to the Antarctic Peninsula. The gods had been kind, and we took shelter of the South Shetland Islands half a day in hand.

This gave us time to slip into the Weddell Sea, gliding delicately between the icebergs which had calved from the land and were drifting slowly away from the continent. These flat-topped monoliths, like blocks of ice badly cast in concrete, towered high above the seven decks of the ship. That a further ninth plunged into the depths was almost beyond comprehension.

Although there were some on board who had no intention of ashore, others who simply wanted to get off their final continent, many of the passengers me that they really weren't "cruise people." They were the only way that Antarctica is readily accessible to ordinary visitors by sea. The ship, which only provide

able accommodation with minimal impact on the environment, but visitors to the shore by inflatable Zodiac can more easily

I happened to be on board when it was undergoing its biennial check by the National Foundation who had come along to make sure the cruise was being run in accordance with guidelines receiving both education and supervision with regard to the wildlife they were seeing; and that the operation was observing the guidelines set by the controlling body, the International Association of Tour Operators (Iato).

This was sound, dreadfully regu-

lated and restrictive, but

clearly

as a number of visitors, a what

is only a tiny proportion

of the continent.

Such animals are at their most

unseen, only a large number

of visitors ashore. As a result, the expedition leader's

advice to take an early

ashore and not one book

was worth heeding.

On one of my trips ashore I made a mass of chinstrap penguins in an odoriferous rookery high on a hillside. There were birds feeding chicks, stealing penguins from their neighbours' nests, preening, displaying or making their ponderous and squelchy way over dirty snow and frigid sea.

On the shore below, a steaming heap of elephant seals wobbled irritably as the animal tried to burrow further into the pile. Occasionally things proved too much and a pair reared up, snorting and lunging, until one was sent and the two brown blanmanges down more.

As we climbed the hill to the Zodiac to leave our final landfall at Port Lockroy, one of the guides spotted the blow of a humpback whale a short distance away, and we set off over the choppy water for the *World Discoverer*.

The great mammals were in

hurry and lazed on the surface, breathing noisily and arching their backs with grace and sliding into the depths, lifting their tails out of the water and sinking - and disappearing with hardly a ripple. The Zodiac, which a few

minutes earlier had been

by cetacean



The frozen splendour of Antarctica from the decks of the *World Discoverer*

erupted with slated cries.

We followed the circular upwellings of water created by thrusts of their flukes, and were there when they resurfaced after just 3½ minutes. Again they lazed on the surface, again they fluked. But time was passing and we had to return to the *World Discoverer*.

Back on board, the mother ship began to shadow the whale. The sun was falling in a clear, pale blue sky and our position between the whale and the ship and the large islands felt as if we were sailing on a vast and mountainous

the soaring spires of mountains,

unnamed and unexplored, with dark, snow-dusted peaks piercing the icy icefolds.

These, the product of decades of snow, sides and crumpled over folds in the underlying rock, calving chunks into the dark blue Ocean.

The great cetaceans had the muscle to outpace us had they wished, yet they did not, fluking and diving to delighted cheers from the bows.

It would be hard to think of a natural spectacle more magnificent than watching these massive mammals

in a primeval landscape of such grandeur, so

human dimension as to be at once both humbling and awe-inspiring.

Most of those on the ship - some

were extremely

were unlikely to

see such splendour any

more.

Michael Woods travelled on the *World Discoverer* Voyages: Suite 301, Albany House, 324-328 Regent Street, London W1. Tel: 081-544 5555. The company runs adventure cruises during the austral summer (16 nights or more).

All-inclusive prices, including airfares, transfers, hotels where necessary, full board on the ship and return flight from £4,606 (1994-1995 season) for the 16-night cruise that Woods travelled on. Departures: Dec 4 1994 and Jan 2 1995. Woods will be on a further six voyages in the Antarctic, taking in, additionally, the Falklands and South Georgia. The *World Discoverer* handles a maximum of 133 passengers.

Mountain Equipment (tel: 01274 862277) as an intermediate layer, should be covered with a windproof outer shell. The parka is fine but Woods found a thinner outer over a down jacket more flexible. Waterproof trousers and wellingtons are essential in the marine and for wet weather.

Take along plenty of film as spare batteries, which are exhausted more quickly in the cold. A hand is useful at the penguin rookeries and for the企鹅. Carry polythene bags to protect your gear.

Heady brew of beer and capitalism

Michael Thompson-Noel finds that even a teetotaller can have fun in the old breweries of Bohemia

Even a teetotaller can enjoy a knees-up in a brewery in Bohemia. I have done so since 1983, when I became a learner-driver, but I still like to share other people's drinking. Especially to excess. And indulging brain with

flair.

The party was under way in the hospitality room of the recently renamed Regent brewery in Trebon, in the Czech Republic, about three hours from Prague, and far from the Austrian and German borders. The brewery was founded in 1379, prospered in the middle ages, and was once owned by Prince Schwarzenberg.

The beer flowed. An almost three-man combo, part of the brewery's brass band, played blood-roasting drinking songs. And the brewery's manager, immensely proud of his beer, twirled around in raptures of delight, making speeches, beaming at the PR, badgering the waiters to pour his delight, welcoming the brewery a small group from England. The group was visiting the area at the invitation of another Bohemian brewery in nearby Budweis (Budjovice).

The previous day we had visited the brewery (est. 1795) in Budjovice. Samson, named locally, is interesting for the foreign element in making and for its success in pumping up the volume of exports of Czech lager.

Zamek brand premium-strength beer is imported into Britain by Wolverhampton's Dudley Breweries, otherwise known as Banks's. Fran Hayes, Zamek's UK brand



manager, reckons that by 2000 premium lager will account for a quarter of all UK beer sales, and: "Zamek has been positioned to be recognised as a major participant in the beer market, coming as it does from the land of the lager experts."

Lager was invented by the

and a special strain of yeast."

Now that the Czechs need help consuming the stuff, they drink 10 gallons of beer per head per year, the world's highest such consumption.

They have been brewing here in Cesky Budejovice since 1379. It is an airy and pleasant town - capital of south Bohemia, population just over 100,000, thriving tourism, universities, a re-established tramway and a Habsburg library, which replaced the former museum of the workers' revolution. Some good hotels and restaurants, too, including the Hotel Zvon: central and not expensive. Very expensive, especially food and lodging in the crystal mountains you can buy everywhere.

Not far away in Cesky Krumlov, a splendid town which is now Unesco-listed. Tourists flock there and can hardly be disappointed, especially by the castle, which has a famous baroque hall and a superb late Baroque church.

This is a great place for festivals: music, theatre, dance and exhibitions. From June 17-19 the annual festival of the five-petaled rose, which includes music, parades, a folk market, night shows and

something called "live chess."

On such a high note, I was greatly taken with Trebon and its surrounding forests, moorland, lakes and fishponds. Farming, particularly sheep farming, started in the 13th century; the art of sheep breeding is said to have reached its peak

later, under the rule of the Rosenberg family.

An information point in Trebon is slightly bleak

"Have you come to spend your holidays in Trebon?" it says. "Maybe you have come to the town and we would like to make easier your decision where to go in leisure time. Of many things we have here: Walk in Opatovicky mill, Walk along Zlatna canal, Walk in the hillock, Walk to the Rosenberg fishpond."

It is far more appealing

than that, with plenty of accommodation, from private houses.

Numerous tour operators and agents organise holidays in the Czech Republic. It is good and is to about. Information: tourist office at the Czech embassy in London: 30 Kensington Palace Gardens, W8 4QY, tel: 071-243 2432.

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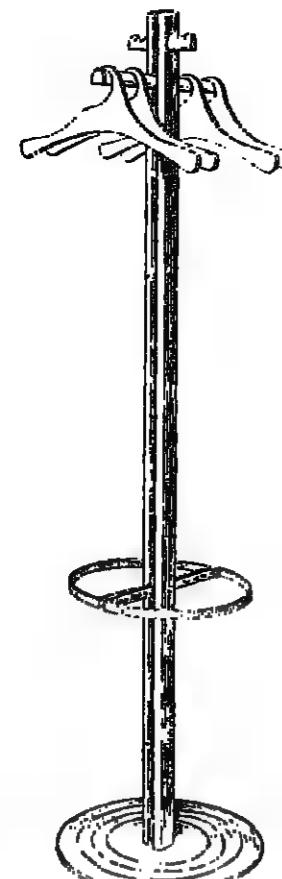
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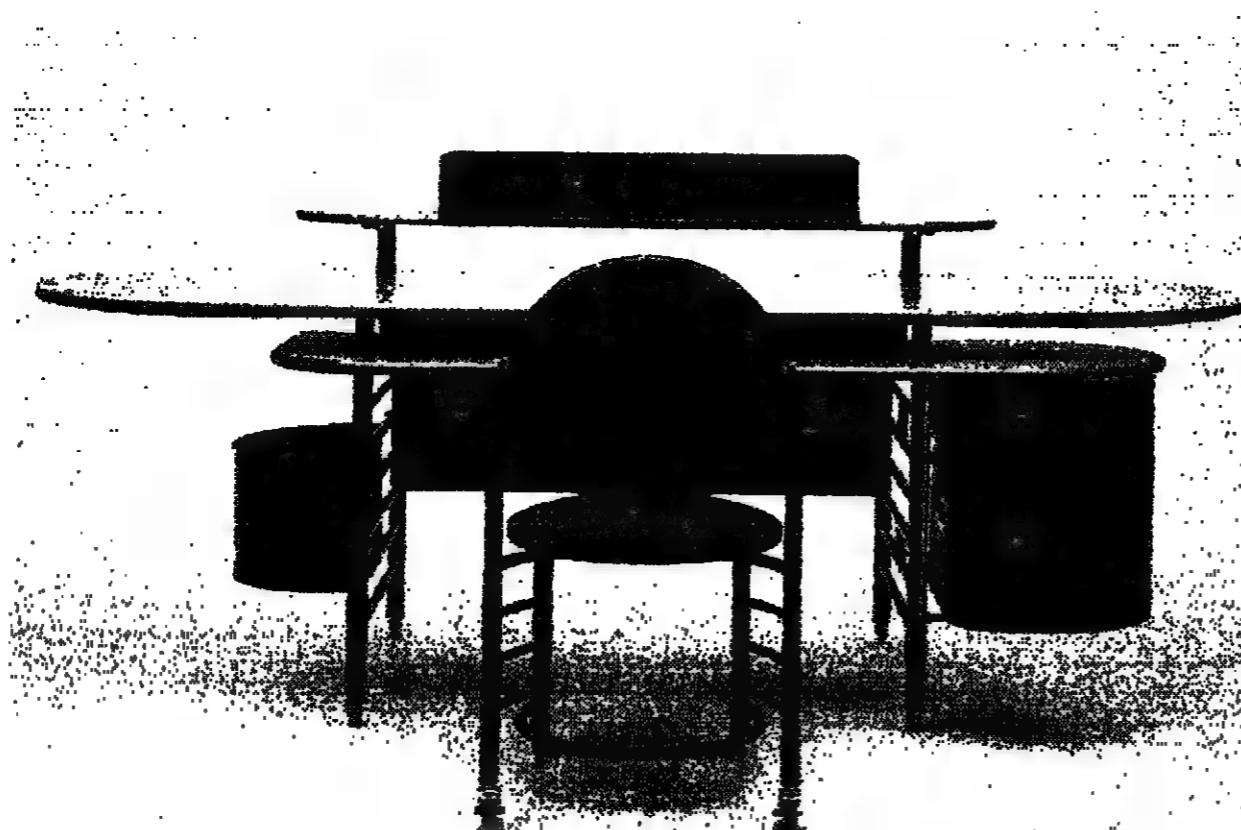
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HOW TO SPEND IT

Classics for the home



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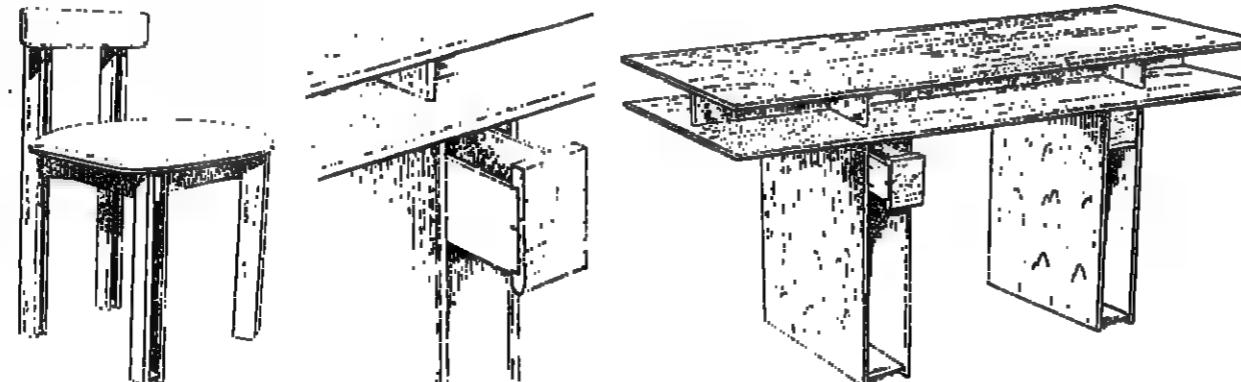
Frank Lloyd Wright's desk and chair originally designed for Johnson's Wax

No-one who has visited Frank Lloyd Wright's building for S C Johnson, Co, Racine, Wisconsin, forgets it. I still remember how I looked in there - a cool, tranquil, elegant building, filled with light and air, like no other building I had been in. It stood there, modern, yet classic, its slender, mushroom columns rising from floors, a seemingly idyllic combination of functional and the beautiful.

But what impressed me most was everybody, the managing director as the humdrum office worker, Frank Lloyd Wright of their own.

They were all recognisably from the same family. They were all variations on a theme and had been made specially for the workers. For Frank Lloyd Wright, like his contemporary Charles Rennie Mackintosh, believed that a totally harmonious environment had to be planned as a whole - furniture and artefacts had to be part of the grand scheme.

Looking for a desk that is beautiful enough for domestic use and practical enough for work? Lucia van der Post has the answer



Originally designed in 1930, they are still in use and still look elegant. Anyone looking for a desk that is beautiful enough to fit into a domestic setting and practical enough to hold a computer, should look no further. After a long courtship, Castina, the Italian furniture manufacturer, finally got permission from S C Johnson to

access to the original prototypes, drawings and stencils and is looking for a desk that is a faithful reconstruction of the original design. A should design of this quality does not come cheap (£3,290) but it is of unusual heirloom quality.

There is a very limited choice of colours - a dark red frame, light cherry wood, black and seat.

This is the closest colouring to the original or a black lacquer top on a black frame.

The chair to partner the desk is made from painted steel with leather armrests and the leather match the desk - black steel with black stained ash arm rests or bright red frames with cherry wood arm rests. The back and seat

can be covered in fabric or leather, prices range from £695 to £895 versions, from £695 leather ones. The chair and the desk can be bought from Atrium, Centrepoint, 22-24 St Giles High Street, London WC2H 8LN.

Anyone wanting to know more about the furniture can visit the Frank Lloyd Wright room at the Victoria and Albert Museum in London where the desk and desk and other furniture and drawings can be seen.

If Frank Lloyd Wright prices are beyond your means, but you are still in need of unusual furniture from which to work at home, it is worth looking at Philip St Pier's carefully-made collection. He primarily makes in order or special commission but has a small range of "editions" which could be said to be standard pieces.

Philip St Pier was originally a designer and maker but these days, in order to produce more and bring costs down, he sub-contracts the making to selected workshops. This means that he can sell a hand-made piece such as the chair (sketched here) for £75. The chair he sells for £75, the coatstand for £110. They can be ordered in a wide range of woods and can be modified to specific requirements.

He has kept a workshop where he designs, makes up prototypes and mock-ups.

The chair and the desk he has made are sturdy garden furniture and fine furniture. For details, a brochure or order from Philip St Pier at Westwood Studio, Syde, near Cheltenham, Gloucestershire GL53 1EN. Tel:

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FASHION

But is your uniform correct?

In our series of dress codes around the world, FT writers look at what to wear on the golf course



LONDON

Brenda Polan

Golf is, of course, a Scottish game. Its earliest players trudged through misty green in serviceable, dun-coloured tweeds, traditional woolies, rugged plus-fours tucked into thick long socks, stolid brogues and a rain-deflecting flat country cap.

Women – for the game was initially neither gender nor class-limited – tended to vary the uniform only in the matter of a long skirt, later a divided one.

Once you remember those practical origins, today's lurid golfing uniforms are easy to understand: their essential foul-weather nature has merely been corrupted by effete southern taste, advances in fabric technology, American vulgarity and Florida's climate.

Arguably, golf is the one sport for which special clothing is unnecessary. Providing footwear is sturdy, gripping and comfortable and the rest is unrestricting, what need for pastel argyle-patterned sweatshirts, lousy two-toned zippered fronted cardigans, green-striped spiffily spattered shoes?

The need, of course, is acceptance. Golf's uniform is about belonging to the class of chap or lady – they certainly still call them ladies in proper golfing circles – who belongs to a

tiny pair of trousers.

Yet, it would be unfair to lump New York's golfers in with the silly-trouser brigade, for they are a different breed from their country counterparts in Florida and California. Perhaps in keeping with the north easterner's patrician, tank-trouser sensibilities, in recent years New York golf fashions have tended to be more stylish, the colours subtler, the patterns less stomach-churning. A new look is emerging as a younger generation of golfers seek to avoid... well, looking too much like golfers.

Thus, the starchily, brightly coloured red-white-and-blue shirts and plaid polyester slacks of old are out. In their place are baggier golf shirts in moodier browns and olives or sensitive teals and taupes, and looser, more stylishly cut trousers that would not look out of place in a chic restaurant.

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FRANKFURT

Christopher Parkes

The pretty golf course at Kronberg, 20 minutes outside Frankfurt, is a quiet place at the best of times. The sound of club on ball is rarely followed by anything more than appreciative mutterings, and naturally, the occasional clunk of ball on an out-of-bound tree.

The players dress in keeping with their decorous behaviour. Long-distance observations by a non-player suggest that in the peak season, summer, women's

fall into two categories: pretty and sporty.

The first classification requires a white or pastel frock. Together with matching

ankle socks the ensemble is reminiscent of 1950s tennis rig. The sporty look requires knee-length shorts with turn-ups, in a choice of pale cottons or light plaids. A cotton eye-shade and a Ralph Lauren polo shirt – or anything with one of the thousands of "designer" logos which litter German leisure wear – wrap things up.

There is one category for men's outfit:

pretty sporty, but uniformly in the Bernhard Langer style. To judge by appearances, it is a breach of club rules to be under-equipped. Even the most casual thrash-about in the undergrowth seems to

require a full set of clubs (with hats), state-of-the-art trolley, gloves, cap, sweater, pocket knife and trenching tools.

But there is rarely a sign of the crunchy waterproofs and the oversized umbrellas so common in Britain. Swinging in the rain is not a favoured occupation among Frankfurt's fair-weather denizens of the fairways.

The Kronberg turf is clearly a place for being seen, not for getting wet. If it is raining, or even cold, it's time to retreat to one of the area's dozens of covered tennis courts.

PARIS

Alice Rawsthorn

There are some areas of life where the French are incorrigibly conservative and golf is one of them. The ritual begins with the choice of club. Any

old golf club simply will not do.

The place where a Parisian plays golf speaks volumes about his or her status. So the

swankier the club, the better.

Saint-Cloud, which boasts

President Mitterrand and half the

cabaret among its members, is

the swankiest of all followed

by La Boule and Chantilly.

Yet the uniform is the same

wherever you play. Parisians,

predictably, dress just as

smartly for a few hours on the

golf course as they do for any

other event. A polo shirt and

shorts (neatly cropped just

above the knee and tapering to

the waist) are *de rigueur* for

summer as are well-cut trousers

and a V-neck jumper over

the polo shirt for winter.

Colours are subdued. White

is popular for golfing in warm

weather, with occasional glimpses of blue and green for light relief. Shoes are snowy white: the very shade to show off a Côte d'Azur tan to perfection.

Hats are acceptable as long

as they leave enough room for

Ray-Bans and co-ordinate with

the other clothes. French golfers

tend to regard clashing colours, jaunty balaclavas and

two-tone shoes as strictly for

the Americans.

Anyone who thinks they

might be able to work their

way into one of the more

sought-after French golf clubs

without the requisite kit is

doomed to disappointment.

Bernard Tapie, the former

socialist cabinet's token

"medallion man", sauntered

into Saint-Cloud last summer

to deliver a speech. The doorman

told him to leave. Saint-Cloud, he said, was for members only and Tapie was not one.



TOKYO

Michiyo Nakamoto

For the Japanese men and women who are wealthy, frequent the country's fashion on the green is a serious matter.

And just as strict conformity to the dress code in the office or on formal occasions is taken for granted, those on the golf course are expected to play by the rule of dress but conservative good taste.

So men on the course will commonly be seen in trousers, polo shirt and vest while women tend to opt for skirts that come to just above the knee or culottes which are easy to move in. Their distinguishing feature is their conformity to the "golf look".

Even though it is more often than not associated with business in Japan, golf being a social occasion and increasingly popular among well-off housewives, more colour than is seen on Tokyo's streets can be enjoyed in the choice of clothes worn on the green.

Men who are normally restricted to drab grey and navy suits, do not hesitate to appear in bright green, sky blue or lemon when it comes to a day swinging the iron club.

But the real fun of dressing up for golf, the women say, comes after the game is over.

Even in Japan, more people are taking advantage of their leisure time to indulge their taste for sport, both as a physical diversion and a chance to mingle with others. That in turn has led to a growing taste for casual chic.

So, after a long, hot bath at the country club to revive both the body and spirit, the women will join up with the men, looking refreshed in their cashmere and tweeds, wearing hats from Italy, perhaps, and sporting a bag made in Spain.

Among the more popular are the Jack Nicklaus signature with his polar bear symbol and

Drawings: Lucinda Rogers



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FOOD AND DRINK

Grounds for turning over a new leaf

Giles MacDonogh says it is time to start reading the tea leaves a lot more carefully

I that Britons need a refresher course. It is quite 45 years since the British left India, they are already forgotten the between good tea and bad. Between 50 and 65 per cent of what Britons drink today is (crush, curl) tea from Africa and Latin America. This tea is harvested mechanically and made by a special process which is designed to cost the leaves with the darkest juices in order to provide a tea which will colour up in the short period of time. In short, it is perfect for tea bags.

Now has Britain reached the bottom of the spiral of decline. The better brands, such as Lyons and PG Tips, which still use a small percentage of "orthodox" tea being squeezed out of the market by cut-price own-label tea available from supermarkets. The tea inside the sachets is of the poorest quality imaginable. But even those wretched bags may be superseded by tea granules, which make tea by a process identical to instant coffee.

The Indians are partly to blame. In the post-colonial years they played a game of cat and mouse with the British brokers, imposing restrictions and pushing up prices. The result was that the British simply stopped buying.

One source told me that at the beginning of 1978 the Indians were still supplying Britain with 70 per cent of its needs. By the end of the year the figure had dropped to 30 per cent. Leaving aside the Chinese and the Sri Lankans - whose tea are still referred to as "Ceylon" in the trade - the world's most prestigious tea gardens are to be found in north-eastern India; in Darjeeling and Assam, in the foothills of the Himalayas.

The tea bushes find the right combination of altitude, heat and time to ripen the leaves to perfection. Only the downy bud (or peice) and the first two leaves or flushes are deemed the best. The Germans

Japanese have over the last 45 years forgotten the British themselves with the hierarchy of tea gardens reminiscent of the system in place in the French vineyards. In Darjeeling, for example, gardens such as Castleton, Margaret's Hope, Jungpana, Sikkim and Goomi are considered to be consistently good; sometimes, but not always, good. Not all the gardens are Indian. Even Brooke Bond, I am told, has a bit of tea from India.

Until recently I should have said at a loss to tell you where - apart from Harrods and Fortnum's - these might be found. Now, however, I can tell you some, if not all, of the story. Operating from an office in central London are the British brothers of Newby Enterprises. The brothers hit on the idea of bringing single-estate Darjeeling and Assam tea to a wider British market. The Setthias buy their tea at source in India and then package them for shipment to Britain and the US. The cost of tea from the most expensive tea gardens limits their degree: they cannot afford Castleton or Margaret's Hope; but they can and do buy from Jungpana, Sikkim, Selinbong and Goomi, among the best Darjeelings. The tea are unblended, with the names of the gardens and year on the caddies. There is just a number code. I think this is a mistake: it would be nicer to know precisely where the tea comes from.

The Setthias made me a pot of Darjeeling, Goomi, as it turned out. I was interested to hear them say that for a tea purist it was far worse to see someone put lemon in their tea than milk. Most British brokers choose darker teas precisely because they "milk up" better than the paler ones. I could not find the "Muscatel" character which is meant to typify Darjeeling, but recognised a certain peachiness which they said was a



Sir James Gunn's 1860 painting showing the royal family taking tea at Windsor Castle.

good sign. To this point, however, they sent me off to Sir John Lyon House in the City to meet Edward Foster, a tea broker. Foster guided me into a long room with a great many draws full of tea and little pots of Newby tea were brewed alongside some of their commercial rivals. Foster was not unduly upset by the

loss of "Ovaltine". "It's a rare bird", he said. He said Newby Darjeeling had a "delightful character". The Assams he was looking for more "briskness" or tannin. These were distinctly "milk up" for milk. Another tea was fine enough, but did not have the aromas required of a second flush. Assam. "This is the better tea", he said, pointing to the Newby tea. This is the "Ovaltine, malty character" of Darjeeling tea.

I had my course very refreshingly it was too. Newby Darjeeling and Assam are available from Safeway supermarkets. A bib caddy of Darjeeling costs Assam £2.49.

Wine/Edmund Penning-Rowell Vintages to savour

Officially, Château Cheval-Blanc has only won a first growth claret in 1855. More colour than 1855 showed more depth of flavour, but markedly tannic. A wine to keep which should turn out a classic.

1957. Brownish colour, old claret nose and tannin flavour, very attractive for current drinking.

1956. Good, but not yet remarkably deep in colour; very rich, concentrated which develops in glass. Deep some tannin. One of the best of the year.

More colour than 1956, but less aroma; charming fairly light which may well last longer than expected (in bond).

1954. Very brown nose, rather 1957 but less fruit; typical of the worst year of the decade.

1953. Brown tint, elegant



bouquet, sweet, agreeable flavour but not a lot behind it. Very drinking now, but unlikely to last a year.

Fine colour, rich, complex nose, complex flavour with fine balance; and long in the mouth. What you look for in a fine Cheval-Blanc (£1,050 in bond).

1951. Showing a little brown, with a little more colour than 1950, well-developed bouquet, distinguished flavour, more rounded than 1952 and good current drinking.

Medium, very clear colour, elegant nose, more flavour and longer than many 1950s, with a little dry.

1950. Quite brown, but less on nose and warmer than many 1950s and agreeable drinking though a bit short. Fine of the finer wines of the year (duty paid).

1949. Very pale in colour, soft nose, very drinking, typical of the year.

1948. More colour, bigger nose and flavour than 1949. A fruitier, less tannin, should last a year (duty paid).

My choice for the future would be 1958, if it can be found.

should just catch silly February deals from two of the UK's most traditional merchants. Peatings, of East Anglia, is offering 20 per cent off all its wines costing more than £10. Its claret and burgundy selections alone make this a worth investigating.

Laytons, of London NW1, (071-388-5081) has 20 per cent off classic French regions of the surprise price in the red bordeaux Ch deane £24.70. No wine worth his salt would even consider buying a wine so suspiciously cheap from the 1984 vintage but this, effectively the second wine of third-growth Margaux Ch Marquis de Terme, the nose of the wine is one of most 1984s and is even charming.

Jencis Robinson

Appetisers A red hot deal

Good Sauvignon has long been easier to find in South Africa than exciting Chardonnay but Les Enfants Sauvignons 1983 (from Vergelegen) is well worth £3.95 at 100 Sainsbury stores.

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only a restaurant, bar, and food hall, but an exceptionally catholic wine shop (over 750 lines) on - Knightsbridge (but not Silly Knightsbridge) prices. On Mondays in March, diners in the restaurant can drink at wine shop prices, unfettered by the usual restaurant mark-up.

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Four years ago John and Sally published their own publishing house, Etragon Press. They have just published the third edition of *The Bridgestone Food Guide* (£11.99), which now stretches to more than 300 of essential information for any traveller in Ireland.

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Another publishing success has been the *Logis of Great Restaurants* guide (£25.00), launched by Jenny and David Horsley in 1981 from their home in Putney, south-west London. It adapts the successful French and strict conditions of entry from *Logis de France*. The guide information on 515 independently-owned restaurants in the UK and Ireland, ranging from traditional coaching inns to small country hotels. The new, user-friendly, central

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The fifth floor at Harvey

in London

we are interested increasingly in buying small parcels of wine and selling them through a limited number of stores - news to the consumer, although it is life difficult for the writer trying to give stockist details. Some 95 of 350 branches of Sainsbury's - Hamilton, Chardonnay, which is worth seeking out. It is made from some of South Africa's most southerly fruit and, at £6.95, can offer a surprising amount of subtlety and a suitably savoury burgundian.

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Both Sainsbury's and Oddbins

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From Monday, March 7, Vongerichten is in London for a cooking alongside Jean-Christophe Novelli, chef at the Four

restaurant in

London (071-499-0888). Menus from £25. Nicholas Landry

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One of the best meals during

my last trip to Manhattan was at JoJo's, home to Alsace-born chef Jean-Georges

Vongerichten. He has since opened a second restaurant, Wong, a French technique meets Thai influences such as lemon grass and coconut milk.

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MINDING YOUR OWN BUSINESS

The man with 4,000 tricks up his sleeve

This weekend a few tricks will be pulled in Blackpool. Four thousand magicians from around the world are gathered in the northern seaside resort.

Do not try to attend. The conjurers and prestidigitators are there for a trade fair, not to tell the public how the rabbit appears from the hat.

Ian Adair expects to be the biggest-earning exhibitor. His company, Supreme Magic, operates with discretion from the Devon port of Bideford, selling tricks to the trade. The client list consists of 20,000 customers in more than 80 countries. Each must sign a confidentiality clause, promising never to reveal secrets of the craft, before he is allowed to purchase so much as three egg cups and a dice.

Reticence is endemic in this business but Adair agrees that turnover is more than fun and growing. There are more than 4,000 products in the Supreme Magic catalogue. "I suppose the deepest stock man is in the Triple Levitating Chair at just over 24,000," said Adair.

After 35 years in Devon, he retains the accents of his

native Kilmarnock. "Our cheapest and small hand-tricks, as we call them, for just £1 or so. We aim to sell Woolworths of magic, an exclusive little boutique." Nevertheless, famous magicians such as Paul Daniels buy equipment for tricks from Supreme Magic.

The US is the company's biggest market, but the former

but devised them and then found first-rate manufacturers to make them," said Adair, who became the company's first employee in 1958.

There are now 13 dispatch and administrative staff but the manufacture is still contracted out, much of it locally. The large warehouse behind the modest offices contains a bewildering variety of stock.

Keith Wheatley on a magician whose customers sign a pledge of secrecy

Iron Curtain countries have always been a strong source of business. Even in the Cold War these customers could conjure hard currency from somewhere.

Supreme Magic was founded 41 years ago by Edwin Hooper, a part-time Punch-and-Judy man on nearby Woolacombe Sands. With a £100 loan from his plumber-father he rented a single room and began to manufacture and sell tricks, but always to professionals, never through high street joke shops.

"He was fantastically inventive. He didn't make the tricks

tricks." One of the most innovative has been two-part videos. Stars such as Daniels perform part of their act in front of children at a television studio. That is part one. In part two, the magician reconstructs their tricks in minute detail. Production costs for a one-hour tape are about £5,000 including a flat fee rather than a royalty for the artiste. They total for £50. The more popular have sold more than 1,000 units.

Hooper died two years ago. His widow sold the business to outside investors. Adair and his small team of investors remain the core of the company, but not the owners.

"It was a bit of a shock after so many years building up a bigger business to find you don't own or control any of it," said Adair, a shy man when caught without a wand or a dove in his hands. "But I was finding the administration and paperwork of running the business an increasing worry and now I'm still doing what I love."

Supreme Magic Supreme House, Bideford, Devon EX9 1EL. 0237-479266.



A little bit of magic: Ian Adair of Supreme Magic, a mail order magic supplier, and rabbit

Sam Morgan Moore

"Why are public services in Britain so bad compared with France?" asked Monique Villa, who runs the London bureau of Agence France Presse. "Is the difference in taxation so great?" Such is the stuff of *Life is exotic in the modern Sparta*.

On the agenda was not only a comparative study of systems of public administration, there was also consideration of the development of the Florentine aesthetic and whether British MPs are worse than others at keeping their trousers on.

As a share of gross domestic product, the French government takes 25 per cent more in tax than does the British. Maybe things will change when the British are hit by April's rise. But will Britain's public services be as efficient as France's? Clearly not.

That made me think. The efficiency of a public service is

judged by the standard of service to the consumer. So British Rail is inferior. So Britain's health service is worse than the French, where waiting times are unknown and hospitals are fully staffed. But in Britain 94 per cent of all health bills are met by the state; in France the figure is 77 per cent, so the French pay extra as "consumers." And health spending absorbs a far lower share of national resources in Britain than it does in France. Among the results is a shorter life expectancy for the British - 1 per cent shorter. But

British health rates are lower.

British Rail may seem user-unfriendly but, in terms of exploiting its resources, it is a utilitarian. Rail and rolling-stock use is something foreigners come to marvel at. If it has not produced a catastrophe to compare with the compensated booking system for the French high-speed train.

What exists in Britain is a de facto utilitarianism. A basic service is provided at a marvelously low price, in tax terms. This is reflected in comparative UN criteria on the quality of life: Britain ranks only just below France and the Netherlands.

What is missing is what Monique saw as those little touches that make people feel better. They do not appear in the utilitarian calculus but they are highly valued by ordinary people. The economic cost of late-running public transport systems, or a six-month wait for a hip replacement, or a shortage of nursery places, may not be all that great. But full provision in such areas adds to national well-being.

Britain is a sort of latter-day Sparta. The government does nothing to make people feel better. British public services

are a form of hardship. But in economic terms they are amazingly cost-effective.

As I pondered these conclusions, I saw the fifth in a series of articles in *Le Monde* on Europe's great cities. Last weekend the paper had a great headline: The modern was architecture. (I can already feel English readers cringing in anticipation of the steady rain of superior Gallic blow-by-blow analysis.)

"English architecture of the post-war years and up to the 1980s was of a singular quality compared with continental out-

put," began one paragraph memorably. Surprisingly, what followed was not a stream of abuse, but an account of how things had improved in recent years. The writers liked Cheltenham hospital and the new international terminal at Heathrow.

One observation ran: "The Thatcher years, having opened the doors to the angels and demons of savage liberalism, everything which smacked of intervention or a strong local collectivity was destroyed." But British stressed that this was always so. London always grew by pri-

vate initiative. (By comparison Paris was destroyed by Haussmann more than 100 years ago and the social and physical infrastructure of Britain grows incrementally. No grand project, just tinkering with the system. France is created from the ground up. It works better, costs more but does it represent a better use of

As Monique's young recruits for all the above, and other, reasons: "If you want to see a country that is very near to really exotic, England."

James Morgan is economics correspondent of the BBC world

As They Say In Europe/James Morgan

Life is exotic in the modern Sparta

Venice waits

Continued from Page 1

causes eutrophication - unnatural growth of algae - and threatens fish life. Would it not be better if the right standards were applied across the watershed?

Much of the clean-up campaign has also targeted Mestre's petrochemical and oil refining industries, and the large tankers which have to enter the lagoon to serve them. Last March, the environment minister, visited the site and suggested that it would be good if industry moved out. His remarks caused a furor and led to a demonstration by industrial workers in the Grand Canal.

His words reinforced a body of opinion which argues that Mestre's industry is inappropriate to the locality, and should be replaced with commerce and light industry. Rino Bruttomesso at Città d'Acqua, for example, says Venice would be better off if these "dying industries" were replaced by a commercial shipping terminal and a science and technology park. There is also support for educational establishments to complement the two universities in Venice itself.

But the management and workers at the state-owned Enichem plant are fighting back. Lucio Pianin, the director, says the company has spent £125m (£35m) on environmental improvements over the last three years, and now returns water to the lagoon that is cleaner than that it took out. It is only because Enichem is so big, he says, that it can afford such hefty environmental investments. "The problem of the lagoon is not petrochemicals," he says. "We are a living demonstration that a petrochemical plant can live alongside a historic city."

Environmentalists would go a stage further and have the whole Venice lagoon declared a national park. "The lagoon is a very complex ecosystem," says Alberto Bargossi of Legambiente Veneto, a local environmental pressure group. "Each part can't be separated from the whole system and the problems can't be solved separately. We have to face all the problems at the same time." So he adds: "First of all we must stop polluting the water." Venice's fate is caught up in Italy's fast-changing political scene. Much will depend on the outcome of the March 27 general elections, but already the campaign against corruption,

and public pressure for sound government, are having an effect, as the drumming of De Michelis showed. In this climate, Venice's future stands a better chance of being weighed on its merits than of being bent to political ends.

The outgoing Ciampi government has taken an important step which should begin to rationalise the bodies with a hand in Venice's future. In January, a decree was approved to create a company with a £60m capital which will be majority-owned by the state, the rest will be between the Veneto region, Venice itself (which includes Mestre) and the coastal town of Chioggia.

The company will have responsibility for all conservation and environmental activity related to the lagoon. This means that the Consorzio will be downgraded and limited to studies and construction work relating to the tides.

Italian local administration has also been opened up with new municipal laws which enable mayors to be elected directly rather than chosen in smoke-filled rooms. Last December, Riccardo Cacciari, a philosophy professor from Venice's Architecture University, was elected mayor under these rules, heading a broad "progressive" alliance backed by the Party of the Democratic Left, formerly the communist party, and the green vote.

The city is waiting to see how he balances the pressures of the environment with the region's social and economic demands. Marino Polin, rector of the Architecture University, who knows Cacciari well, says he expects him to put the development of Mestre and Chioggia at the top of the list.

Cacciari has welcomed the new company because he wants to ensure that the environmental protection is better coordinated. He says: "With this single bridge from which to command, things can be pushed forward much faster and more efficiently."

Where this leaves the barrage is hard to say. Dr Luigi Zanda, the president of the Consorzio, says the elections will have very positive repercussions" by bringing much-needed stability to the political scene. "We think 1994 will be a very important year for Venice because of the new mayor," he says, "and the fact that the government is creating the new agency to safeguard Venice." He still thinks the barrage can be built by the end of the century.

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PROPERTY

January from the Corporate Estate Agents property index, based on a survey of 4,200 offices making up about half the UK estate market, show a good start to 1994. Net completed sales, at £11,000, were 118 per cent up on December 1993, if marginally down on January 1993, and sales (those which have been agreed and should be) were 67 per cent up on December 1993. Both figures reflect buyers' increasing optimism.

In London's Docklands, buyers of the last apartment at the Crane Wharf, El Marketing of 142 flats began almost six months ago at the top of the market and

Cadogan's Place

Sales figures suggest a January thaw

the final one went for £280,000, with two other buyers chasing it. The price in May 1993 was more than £100,000.

Information from Winkworth in St John's Wood, north London, shows how the market is turning.

In the past year the firm has

three three-bedroom, two-bathroom flats on the Queensmead Estate, NW8, which are identical in size, layout and condition.

One, for which the asking price

in February was £275,000, went for £280,000. The second sold in August for £280,000 (asking price £280,000) and the third sold in November for £280,000.

The third and fourth Creek House in Eardisley, 15 miles from Hereford, were built around 1800 and is the ideal of a country cottage

which has

makers David and Margaret Gorrell are selling. The price in August was £110,000 (asking price £110,000) and the third sold in November for £110,000.

At Cadogan's Place, the peninsula in Cornwall, GA Property Services (01872 861111) is selling three buildings that were used as a hotel station between 1880-90. The Hotel House, the Wheal House and the Wheal House are priced from £250,000 to £75,000 — which looks spectacular value for money.

For those not

going underground, there is a Manor in Westonbirt, Gloucestershire. As its name suggests, it is burrowed into the ground ("earth-sheltered" in the technical term). The manor building is a round, domed

chamber lit by natural light. Wool insulation is excellent, energy use is low and the house stays dry and warm; however, it cannot

Cluttons in Bath (0225 469-511) is asking

for creation, built in

so enjoy the hibernatory life that they intend to build another like it.

The Land Registry and the Department of the Environment produced a pamphlet called "Public Information about Land and Property" — and "How to Find It." It comes with information on houses and property held by public bodies (excluding local authorities) in England and Wales. It is available at public libraries, citizens' advice bureaux and district land registries or from Alan Pemberton, HM Land Registry, Lincoln's Inn Fields, London WC2A 3PH.

G.C.

What unites Oxford and Cambridge? "Merton land" used to be the walk from Oxford to Cambridge, the first building was Merton Hall, where the Lord (Victor) Rothschild lived. In today's property world the reply would be that they are traditional provincial cities, set within the heart of London. That makes them ideal for commuting, and ideal to stay in.

The resulting premium on property prices is perhaps more than Cambridge, where the surrounding villages with their houses from which to commute to Cambridge. The difference between the Cambridgeshire flatlands, which were unusable until recently, and the Oxfordshire hills and valleys, scattered with villages which once lived off sheep and wool.

In most cities agents have clients clamouring for homes of character. It is hard to find homes, especially when many of the best belong to the colleges.

School-level education is a serious factor in Oxford and Cambridge, as I know as an Oxford parent, and John Patten, the Education Secretary, knows as one of the MPs for Oxford. People want to ensure that they can send their children to the Dragon preparatory school as pupils. Oxford High School for girls, accepts only a third of the applicants for the senior school, fees are an average £1,000 a term. For boys at senior level, Magdalene College is high in the *Financial Times* school league.

Likewise, in Cambridge, education is the essence of the city. The names here are the schools (schools

The extra value of Oxbridge

Gerald Cadogan finds plenty of attractive houses available in the old university towns — at a price

for boys and girls) — The Leys plus, as in the schools — sixth schools — no surprise in view of the parents — and very good sixth form colleges. The polytechnics in both have been promoted to universities.

The other pluses are good medicine, music, theatre, bookshops, cinemas, a rich variety of places of worship and an urban citizenry (which makes for marginal parliamentary elections in both places). And they still have a university.

Do they? Yes, Cambridge is probably closer to the town centre. Parking the car I find impossible in Cambridge, but I do not know the city well. In Oxford I have a spot where I usually get in — which I shall reveal.

Many buyers want an Oxford premium in house prices. And since there are not enough medium-to-large houses for the law and other professionals, they spill into the working-class terrace housing. In Oxford, live in Victorian/Edwardian in Oxford, if you can, or in the old parts of Headington and Iffley. But you cannot find a house there, or want something more modest, then turn — as many do — to the old terrace houses for printers in Jericho close to the Clarendon Press. Jericho's attractions include the pub, a Leadenhall restaurant and an art movie

In Cambridge the market has fallen 10 per cent from £120,000 to early 1993, but buyers are now offering the guide price for two-and



Peace in the city centre: Beaumont Buildings, Oxford, on the market for £450,000



Red brick in a light blue city: The Birches, Cambridge, on the market for £280,000

three bedroom Victorian and Edwardian houses. First-time buyers prefer them to the modern starter homes, says Nicholas Redmayne of Redmayne and Harris. For 42 St Barnabas Road it was £175,000, with Carter Jones

offers 106 flats, at the end of a terrace of five houses, built probably in 1900, for £100,000. Fern Prospect Row, is a simple Regency terrace from the 1820s for £150,000, and usefully

Also, the flats in

BOOKS

I first met Paddy Ashdown when he appeared as a spokesman for the British Foreign Office at the Geneva talks following the Turkish invasion of Cyprus in 1974. There was no compelling reason why he should be there. James Callaghan, the foreign secretary, had brought along his very able spokesman, Tom McCafferty, from London.

Lord Callaghan said long after that he had no recollection of meeting Ashdown at the time but, in the light of subsequent events in British politics, it had been possible for the future leader of the Labour Party and the future leader of the Liberals to have had at least an exchange of views.

Even then Ashdown was a restless figure, looking for something exciting to do. He had left the Special Boat Section, the Royal Marines' equivalent of the SAS, having learned Mandarin Chinese along the way, for the relative calm

of the diplomatic service. The Foreign Office appointed him first secretary at the British mission to the UN in Geneva. Torn between a desire for discipline and a desire for individualism, he remained a diplomat for only a year.

It was not entirely surprising that he became an Liberal MP for Yeovil in 1979. He had checked the ground carefully and the old Tory seat was plainly vulnerable. The Liberal Democrats (then the Liberal Democrats) was the only party that could plausibly represent a dynamic, always romantic, usually dynamic, Liberal in the fringe, Ashdown firmly in the postwar Liberal tradition. The continued...

with Westminster politics after the general election, Ashdown decided to leave the House of Commons for two and a half days in order to meet with some of the most committed in our country. The result is this book.

Book of *Beyond Westminster* is very good. Ashdown writes well about local communities; the more they are, the better the writing becomes. He is at his best working as a Cornish fishing trawler in the Irish Sea, sailing the Orkney and Shetland Islands or staying on a farm in the Wye valley. Incidentally, areas from which Liberal

BEYOND WESTMINSTER:
FINDING HOPE IN
BRITAIN
by Paddy Ashdown
Simon & Schuster £19.99, 306 pages

the rise and rise of criminality and the breakdown of law and order". He is particularly strong on the relentless spread of drugs.

The book is subtitled *Finding Hope in Britain*, but for all his professed optimism the evidence is found very thin. He came across an effective crime reduction programme in Solihull in the West Midlands; a viable First Stop Cities, jointly funded by central and local government and the police, in Peckham; and an old textile firm that had gone successfully upmarket in Suffolk. There are tales, too, of housing cooperatives that work and local communities taking the initiative on recycling waste. For the

most part, however, minister is the story of people battling against almost overwhelming odds. Government, local

and the villain.

The geographical mix may have affected the judgment. Apart from the outlying islands, Ashdown's only trip to Scotland was to visit the Monktonhall colliery near Edinburgh - "Britain's deepest pit and only operating mining co-operative". The north east of England was avoided altogether; so were some of the more prosperous parts of the country. And a visit to Oxford is surely worth more than specialising in the city's Gay and Lesbian Centre.

Thus it is almost as if Ashdown

set out deliberately to look for minorities. He also full of nostalgia. "Torzeth," he writes, "contains the oldest black immigrant community in Europe." A farmhouse in the Wye valley gives a "powerful sense of being lived in century after century by people who drew their strength from the ground". Where he wants to innovate - through the use of telecommunications - it is to help communities in remote areas.

All of which is admirable. Those from other political parties will note, however, that Ashdown is sticking to community politics where the pressure comes from the grass roots up. For the Liberals this has worked well locally, but not yet nationally. In a few concluding pages, Ashdown offers little more than the hope that people will work together; the old Liberal stalwart of proportional representation is not even mentioned, let alone a Lib-Lab pact. A breakthrough still looks distant.

Analysts in need of a couch

A.C. Grayling on the feud between Freud and Jung and its implications for psychoanalysis

In a summer 18-year-old girl, Sabina Spielrein, admitted to Burghölzli psychiatric hospital in Zurich, alternately depressed and hysterical, obsessed with her digestive system and sexually fixated upon her hands. To help her, Freud responded with wild cries of loathing and disgust.

Within a few years Spielrein was having an affair with the physician appointed to her care. She studied medicine and later practised as a psychoanalyst, thereafter lecturing in the subject at Geneva's Rousseau Institute.

In the psychotherapeutic world it is not unusual for patients to turn healers. But this was, says John Kerr, special: Spielrein's physician was Carl Jung, and later she was a colleague and friend of Sigmund Freud. According to Kerr, the association with both men played a significant part in their relationship. It is the relationship and its spectacular denouement that is the subject of Kerr's book.

When they first met, Freud excitedly proclaimed Jung his heir. Six years later he was apostrophising him as brutal, anti-Semitic, paranoid, "emotionally stupid" and a sufferer from "repressed anal eroticism". Freud was always incontinent in his hostility to those he perceived as apostates - Alfred Adler furnishes another example - with Jung's vehemence barely knew bounds.

The Freud-Jung story is absorbingly told by Kerr, in the most absorbingly - both the and the implau-



Sabina Spielrein: said to be the pivot of mutual blackmail

A MOST DANGEROUS METHOD
by John Kerr
Sinclair Stevenson £25, 317 pages

sibilities of psychoanalytic theory. Of the two principals in the drama, Freud smelling least of roses; Kerr's mean-minded, jealous, self-serving, unscientific prejudiced. On the evidence marshalled by Kerr it is hard to disagree. But Freud at least - which - on the same evidence - cannot be so unequivocally of Jung, whose bizarre sexual and religious torments are the main focus of his theories. As a result, Kerr's book is a long way in weakening the claims on our intellectual respect in both Freudian and Jungian psychology.

Freud and Jung met in Vienna in 1907. On their first meeting they talked enthusiastically in the early hours. Freud was anxious to meet with Jung who already had a reputation in medical psychology, and was not a Jew. Both were both important attractions to Freud, who wished to psychoanalyse respectively by having it accepted in institutions such as "sensual" Vienna and leading to all Jewish. A non-Jew from prim Switzerland's best-known mental hospital perfect.

And so began with Jung was happy to play Paul to Freud's Jesus. Their collaboration went well; driven by Jung's energy, psychoanalysis began to acquire international respectability. They travelled to America together in lecture, and Jung organised grand-sounding International Congresses of Psychoanalysis in various European cities. But Jung had an independent



until 1913 that the rift was complete. When the rift was complete, Jung's name was known throughout the world. He commenced his work with Adler, a chief disagreement concerned Freud's adherence to the importance of sex. But Jung increasingly faced other problems. Freud was a determinist; Jung was not. Freud held that minds are individually shaped by the forms of infant sexuality; Jung thought in terms of a universal unconscious which he understood through mythology. Freud succeeded in showing that she had any real importance to the Freud-Jung saga. Their quarrel had nothing to do with her. Kerr would have us believe that she was, in effect, the pivot of mutual blackmail: he claims that Freud's knowledge of her affair with Jung - if affair it really

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ARTS

A decade ago, the correct position for the Liberal intellectual of London NW3 was clear enough. Support the Yorkshire coal miners; rally behind the time-honoured extraction of fossil fuels; defy the Thatcherite logic of pit closures.

It was a cause both brave and easy to espouse. To the literary mind, it called up comfortably noble images of gaunt men in homely boots gathering under great iron wheels, or women in shawls mashing tea by blackened cottage hearths. Fiddle, of course, if coal is not wanted, coal miners must pass away, whether Hampstead cherishes them or not.

So the North gets the message. No one wants fossil fuels, and in any case they cause holes in the atmosphere. Robbed of their collieries, the district councils of Lancashire and Yorkshire hit upon new schemes for lighting their streets and boiling their kettles.

Brontë country can go with the wind

Nigel Spivey suggests an unorthodox solution to the Haworth moors controversy

This is wind power. Hitherto the stuff of New Age dreamers in far-off parts of west Wales and Jutland, or schemes which got no further than the blueprints of crank utopians, wind power must have blown into the practical North on the wings of divine inspiration.

What could be better? No shortage of breezes up on the moors; no shortage of under-subsidised hill farmers, ready to turn wind into breeze; best of all, no shortage of right-on-one-upmanship, as the grimy North shows the pure South what energy can be generated without a smidgin of uranium or mess.

But what the councillors of Bradford and Calderdale reckoned

without is the alternative map of England. This enjoys only minority acknowledgement, but that minority is articulate, noisy and influential. According to its preferred nomenclature, England is divided along the proprietor lines of distinguished writers. So you could travel from Daphne du Maurier's Cornwall, progress to Hardy's Wessex, perhaps head up to Housman's Shropshire, and across to Bennett's Midland; thence up through Lawrence's Nottingham and onwards to Wodehouse's Lakes. In the course of this journey, naturally, you would have to negotiate the Brontës' Yorkshire.

The Brontës' Yorkshire. The pass-

port for entry is to have read Emily Brontë's *Wuthering Heights*; the objective of travelling there is to see the old family parsonage, to the Brontë Society since 1927; perhaps seek out the site of Thrushcross Grange, or Lowood School, or the Haworth graveyard.

But, above all, to cast your gaze across the same unsoaked wilderness as met the eyes of Cathy and Heathcliff; watch the same ploughs dive into the moor, hale the same heady west wind. It is still a fair-impudent wind. And the crime of the local council is to have tamed it into belling kettles.

Leeds Hampstead sprang into alliance with the Brontës' York-

shire last week with a letter to the *Times Literary Supplement*, signed by 50 names. Admittedly, they are not homogeneously Hampstead: Iris Murdoch sits oddly with Cliff Richard, who (oddly still) plans to be Heathcliff in a new London musical, and the coalition of Ted Hughes with Auberon Waugh is provoking.

But these signatories are bound by the insistence that wind turbines shall not be erected within a 20-mile radius of Haworth (sorry, the Brontës' Haworth), because they constitute "an assault upon our earth and our literary heritage".

Whenopian dreams of putting wind to work are turned into his-

panies against nature, one has to question the pieties behind this protest. It is an unusual conflict, in which the conservationists of the earth's atmosphere find themselves opposed by conservationists of a literary ambience.

Thus exposed, it reduces to a naive view of the human imagination. And it imposes a strictly Romantic definition upon beauty, whereby wilderness alone is chief of the muses. It would be interesting to learn how many of the protesters would consider retrospectively demolishing all the windmills of Suffolk - Constable's Suffolk - or indeed that unsightly water mill at Flatford. Or are such man-made intrusions acceptable only to conservationists of a genius?

Here lies the only solution to this issue. Bradford council, which is hospitable to the creative spirit, must commission a work of art. It may be a poem, a novel or a grand painting; it may be a film, even a soap opera. An everyday tale of wind-farmers' folk: their trials, passions, couplings and bereavements. If it is done, and done well, I dare say we will look fondly upon the turbines of the West Riding.

Bussell dances Balanchine

Alastair Macaulay watched this British ballerina show New York audiences a thing or two

While other ballet companies are still learning how to dance the style of George Balanchine, New York City Ballet - the company he founded in 1948 and, until his death in 1983, shaped - is forgetting. The irony is tremendous.

This month, Darcey Bussell, the remarkable 24-year-old British ballerina, danced five performances with NYCB, appearing in Balanchine's *Agon* and *Symphony in C*. (She is the first Royal Ballet ballerina ever to appear with this company; her success was such that the company gave an extra unscheduled performance of *Agon* with her.)

It could be seen at once that these great two ballerina roles - one to 'bold' and modern, danced in leotard and tights, to Stravinsky's extraordinary venture into atonality; the other so resplendently serene, danced in white tutu to Bixell's symphony - had not been performed on this scale since the legendary Susanne Farrell quit dancing them over ten years ago. True, there is still plenty for Bussell to learn about how to dance Balanchine. But how strange and thrilling to see that she understands much of the essence of Balanchine's style better than most of those about her.

Even until 1987, NYCB was like no other ballet company: more than that, it was one of the supreme cultural institutions of this century. Classicism, modernism, romanticism: she had



Darcey Bussell in 'Symphony in C' at the New York City Ballet: there is something extraordinarily lucid about her style

you went to NYCB to see all these things in *excess*. And at the same time you went to see a quintessential expression of New York's own spirit: "High-density grandeur". I remember writing on umpteen postcards home during my first visit to New York 15 years ago: I was referring to the thrill of both the city and its ballet company.

Today, New York City Ballet is a very proficient troupe. Probably no other troupe in the world can match it for speed, or lower-body virtuosity. But these are relatively superficial virtues. What has been gradually eroding at City Ballet is the basic core of energy, musically shaped energy, classical energy pouring from the centre of the body through gleamingly turned-out limbs. What you used to see onstage at NYCB was as glorious as the Chrysler Building in the sunlight; whereas now you see Trump Tower grit.

That kind of coolly radiant classical energy is just what Bussell has in spades. Dancing *Agon*, she is prodigious. The still astounding rhythms (mixing jazz, atonality, and baroque), bodily shapes (mixing Greek imagery, Renaissance court dance, traditional ballet classicism), and phrases (taut, lean, unpredictable, explosive) of this choreography have been scaled down at NYCB over the past ten years - but with Bussell (as Covent Garden has already seen) the 1987 masterwork

becomes again huge, sharp, audacious. In one lift in the great *pas de deux*, spread across her partner's back, Bussell suddenly split her legs wide apart in the air - and, though the move has always been part of the choreography, this time it caused a gasp around the New York State Theatre - the kind of gasp that was once part and parcel of the "emotional ballet" *Agon* used to be at every performance.

In *Symphony in C*, where Bussell dances to the long exotic legato lines of the second movement's oboe solo, it is easier to see what she has yet to learn (and not only for Balanchine). She has a band of muscle across the top of her shoulder blades that gives her tension to her upper body just where it needs relaxation. Sometimes this makes her neck look shorter than it is; and seldom does it allow her to show the upper-body plasticity and suppleness that is a vital part of both American and British classical style.

Yet these performances of *Symphony in C* showed me more than ever before how vast and beautiful Bussell's tal-

ent is. There is something extraordinarily lucid about her style - the curvelessness of the slightly hyperextended legs, the lack of harshness - and this is combined with a very sweet kind of innocence. The basic strength of her technique is wonderful. And she really spreads her own aura, creates

Balanchine ballets than ever before. Balanchine choreography shows, more clearly than anything else, that most British dancers today do not fully coordinate upper and lower body. Few of them dance as does Bussell, from a clear centre.

It is to be hoped that Bussell returns to New York City Ballet. This time, she was simply dancing (and with little rehearsal) two of the nine Balanchine roles she has already learnt in London. It may be that there are other places - Miami, Seattle, San Francisco - where Balanchine style is fresher than it now is in New York, but NYCB has many more roles, and many finer points of style, that she can learn and there is much that her dancers can (re-)learn from her. Balanchine loved youthfulness, and it is hard to believe he would not have adored Bussell's innocence. As Londoners have had the chance to see for four years now, the more Balanchine Bussell gets to dance, the more youthful she becomes.

These performances showed me more than ever before how beautiful Darcey Bussell's talent is'

yet learnt how to make its horizontal lines beam sideways with equal amplitude. (Susanne Farrell - even more than the greatest Kirov dancers - was so much the mistress of her neck that she seemed to be dancing in infinite space.) And, though Bussell is never unimpressive, she does not yet dance as if she has music's mistress.

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'Ariodante' updated

The presence of Dame Janet Baker in the audience was a reminder of how Handel's public has widened since she made a name for herself singing his operas with specialist groups. Hardly a company wants to be without one of Handel's more famous operas, even if they rarely become a regular fixture.

It is helpful to keep an eye on economy, if a production is unlikely to be revived often. Welsh National Opera is presenting *Ariodante* in a co-production with ENO, which

should represent a small saving for two companies in need of a big financial boost. When David Alden's modern vision of the opera was first seen in London, it predictably caused a controversy, which no doubt helped sell a few extra seats.

In Cardiff it looks stylised, colourful, well tailored to the size of the theatre. A baroque ceiling adorned with cherubs looks down on the stage, but the events that unfold below belong to the modern world.

Alden wants to take Handel's 18th-century structure and fill it with the concerns and emotions of the 1990s until it is fit to burst - a process that he cannot resist following through to its explosive conclusion.

Altogether WNO has put together a creditable cast. There is a well contrasted pair of sopranos, Alwyn Meller warmly lyrical in Ghevara's music of lament, Susannah. Watson lighter and sharper of voice as Dalinda. Likewise the two tenors, Gregory Cross as the stronger Lurcamio, Philip Daggett the more sensitive Odoardo. Umberto Giordano made a reliable King of Scotland. Decorations from all of them were inclined to be over-the-top. Otherwise musical

matters were safe in the hands of conductor Marc Minkowski, who has only got a bit more agreement on tempo from the WNO musicians.

In *Ariodante*'s showpiece aria Delta, Dame Janet sets a speed

one notch slower than Minkowski had in mind, though still fast enough. For all her spirit not all the music shows the listeners' delight from the

WNO's music.

Altogether it looks like a

success.

Richard Fairman

New Theatre, Cardiff tonight; then on tour

Off the Wall/Anthony Thorncroft

Sopranos fall flat

The Three Tenors are having a return match. They are getting together in Pasadena just before the start of the World Cup in June hoping to repeat the success of their last venture into popular culture, which took them spinning up the pop charts. The incentive is a \$12m fee.

But while Pavarotti,

Domingo and Carreras are all

reasonable men, prepared to

drown their rivalries in return

for money in the bank, no

such good fortune followed an

attempt to cash in with The

Three Sopranos. Kiri Te Kanawa, Jessye Norman and Kathleen Battle were invited to get

together in Vienna on another

money-making spree. The

ladies could not even agree on

their frocks and the idea was

quickly abandoned.

It is hard to mention international singers without referring to money. Domingo has been approached to star in the movie version of *Phantom of the Opera*, a booking which could be worth around \$20m. He is very keen, but wants to test himself in the role first. So plans are afoot to give him a week's trial in the stage version. It is quite possible that anyone with a ticket for *Phantom* at the Haymarket in the next few months could be sharing the experience with a caddish Spanish tenor.

This week Covent Garden made it pitch for millennium money. In the dear, dead, old days of the late 1980s it hoped to finance the badly needed renovation of the Opera House by renting out offices and shops on the site. It has now re-launched the scheme, substituting as fairy godmother, the Millennium Fund for offices. The cost now will be around \$100m.

The Millennium Fund will

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of the lottery when it comes

on stream next year. No one

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This week, rather surpris-

ingly, East of England beat off

bids from Devon & Cornwall and

Leeds to become the region of

Opera and Music! The

target is 1997. It is getting £500,000

from the Council, the largest

grant to date, to make good its

ambitious policy of new com-

TELEVISION

BBC1

7.26 News, 7.30 Walking the Dog, 7.50 Peter Pan and the Pirates, 8.15 Charlotte's Web, 8.35 The Flintstones, 9.20 Live and Kickin', 11.45 Weather.

11.45 Olympic Grandstand. Introduced by Steve Rider and Sue Barker, 11.50 Winter Olympics: Bobblehead - The four-man event. Skating: The women's slalom, 12.50 News, 12.55 Racing from Haydock Park, 1.00 Queen of Hearts Handicap Hurdle, 1.10 Football, 1.25 Racing: The 1.20 Crowther Horses Chase, 1.40 Winter Olympics: Further coverage from Ulrichshammar, 1.55 Racing: The 2.00 Greenham Cup, 2.10 Handicap Hurdle, 2.15 Winter Olympics, 2.25 Racing: The 2.30 Petros Victor Ludovic Hurdle, 2.40 Winter Olympics, 2.55 Rugby League: Castleford v Widnes in the Challenge Cup sixth round, 3.45 Football: Half-Times, 3.55 Rugby League, 4.35 Final Score, Times may vary.

5.15 News.

5.20 Political News and Sport.

5.30 The New Adventures of Superman.

6.15 Noel's House Party. Noel Edmunds hosts as Chees star John Ratzenberger makes a guest appearance, 6.30 The Final Countdown receives the Infamous Gotta Go.

7.15 Big Break: Mike Heale, Silvio Francisco and Joe Swill cue up to take part in the snooker-based quiz.

7.45 Birds of a Feather: Tracey organizes a prisoner's wives and husband support group meeting - an occasion with the dire consequences for Sharon when she falls in love with a fellow member whose jilted wife is due for imminent parole.

8.15 Casualty: Miles and the accident and emergency staff struggle to cope with a sudden influx of patients, but their efforts are severely hampered by Charlie's mysterious absence, the admittance of a drug addict and the arrival of a would-be-suicidal brandishing a gun. Hospital drama, starring Derek Thompson and Clive Mantle. That's Life!

9.45 News and Sport: Weather.

10.05 Match of the Day: Desmond Lynam introduces highlights from today's FA Premiership matches.

11.10 Film: 20 Hours 'Til Dawn, True-life Drama, starring Peter Strauss (TVM 1980).

12.45 Bowls: World Indoor Championships: Highlights from the day's play.

1.45 Weather.

1.50 Close.

BBC2

6.00 Open University.

12.15 Film: To Kill a Mockingbird, Racine drama adapted from Harper Lee's book. Gregory Peck won an Oscar for his performance as a lawyer in a small town in America's deep south who faces public condemnation to defend a black man accused of rape (1962).

2.20 Film: The Count of Monte Cristo. Swashbuckling historical adventure, starring Richard Chamberlain as a French nobleman intent on revenge after being wrongfully imprisoned (1974).

4.00 Scrutin, insight into the work of the parliamentary committees.

4.30 Bowls: World Indoor Championships: Action from the final match in the pairs first round, featuring defending champions Gary Smith and Alan Thompson.

5.15 Winter Olympic Grandstand. Presented by Steve Rider and Sue Barker. Special-keting: The final of the men's 500m short-track event, with World Champion Wilf O'Reilly and current European champion Nicki Good, both British, among the claimants. Commented by David Coleman. Ice dancing: highlights of the traditional end-of-competition exhibition described by Alan Weeks and Barry Davies. Plus, news from the women's slalom and men's bobsleigh. Helen Holton and Hazel Invincible.

8.25 Unplanned, Steve Costello performs a selection of songs close to his heart in this rarely seen concert filmed in 1981.

9.00 Arena: A profile of Paul Lynch, the world two-arm, one-arm and one-finger press-up champion, as he tries to break his record to move in another of his chosen pursuits: bare-knuckle boxing. Victory brings status and acclaim among the devotees of this illegal sport. The programme asks why such activities continue to exert such a fascination, and draws a parallel with the controversial subject of violence in TV.

10.05 Bowls: The League. Hard-hitting police drama, starring Neil Pearson, Tom Georgeon, Siobhan Redmond and Jack Shepherd.

10.55 Film: Pains of Justice. A kindly judge tries to save a murderer from the death penalty. Powerful courtroom drama, starring Gian Maria Volonté (1960, English subtitled).

12.45 Bowls: World Indoor Championships: Highlights from the day's play.

1.45 Weather.

1.50 Close.

LWT

8.00 GMT, 8.25 What's Up Doc? 11.30 The ITV Chat Show, 12.30 pm Movies, Games and Voices.

1.00 ITN News; Weather.

1.05 London Today; Weather.

1.10 Champions' League Special. Preview of Wednesday's European soccer action as Arsenal prepare for a difficult away leg against Italian side Torino in the cup winners' final.

1.40 NBA Basketball. Alton Byrd introduces the game of the week.

2.40 International Athletics. Sally Gunnell, Linford Christie and Colin Jackson lead the line-up in this climax to the British indoor season, from Birmingham's Alexander Stadium.

4.40 London Tonight and Sport; Weather.

5.15 Film: Life and Let Die. Roger Moore in his first appearance as James Bond, becomes mixed up with West Indian voodoo while chasing a master criminal in the Caribbean (1973).

7.30 Barnstars: Star-struck amateurs demonstrate their talents on stage, including metaphysical healer Rosalie Anne and the likes.

8.30 Beaufit's About. Jeremy Beaufit plays pranks on the public.

9.00 ITN News; Weather.

9.15 Caught on Camera. Michael Aspel presents dramatic rescues and nail-biting triumphs captured on film, and the people involved in the stories. The second of two special features of a blazing inferno which reached 4,000 degrees Fahrenheit and destroyed 3,000 homes, a circus elephant that went berserk with passengers on its back, and a man who was overcome by Niagara Falls in a barrel.

10.00 The Big Flight - Lives Nigel Benn v Henry Wharton. Action from Earl's Court.

11.30 Comedy Club. With Alastair McGowan, Caroline Aherne, Parsons and Naylor, The Rubber Bishop, and Alan Davies.

12.00 Film: The Big Alibi. Alfonso Saramago. Kojak comes into conflict with former-pammer-turned-lawyer Crocker, who is prosecuting a policeman for murder. Tally Savales and Kevin Dobson star (1989).

1.45 Tour of Duty.

2.40 The Big E.

3.30 Travel Trails.

4.00 New Music.

5.00 BPM.

SATURDAY

5.00 GMT On View, 6.35 Early Morning, 10.00 Tony Jacklin's Pro-Celebrity Golf, 11.00 Gazzetta Footbol Italia, 12.00 World Tennis, 12.30 pm Islamic Conversations.

1.00 Film: Laughter in Paradise. Alfonso Saramago and George Cole stars in this comedy tale about a deceased joker's four legacies - each with a sting in its tail (1981).

2.45 Racing from Kempton Park. The 3.00 Adams Hurdle, 3.35 Pendil Trophy Novices' Chase, 4.10 Pacing Post Chase Handicap, and the 4.40 Pendleham Hurdle.

5.05 Broadsides.

6.30 Right to Reply. Viewers' verdicts on recent TV programmes. Hosted by Michael Aspel and Roger Bannister.

7.00 A Week in Politics. Inverness recaps of the week's important parliamentary developments; News Summary.

8.00 Reaks: People of the Reinforced. Second of the award-winning two-part drama-documentary studying the lives of the prison inmates who have chosen to live in the Cossack, and their struggle to survive the pressures exerted by the modern world.

9.00 NYPD Blue. Kelly and Sipowicz are assigned to investigate the disappearance of a young boy, and Geraldine is faced by a mystery disappearance. Events take an even more hairy turn when a key murder witness comes forward but claims special treatment on the grounds that he is a wimp.

10.00 Don't Forget Your Toothbrush. Michael Aspel and the BBC team, featuring a chance for studio guests to win a dream holiday in Barbados.

11.05 United States of Television. Offbeat insight into the world of American TV, including a selection of exercise clips by everyone from Louis Armstrong to David Gandy and porn star Traci Lords. Plus a look at a new generation of advertisements for personal products, and a report on the million dollar business of telephone psychics.

11.50 Broadway Stories. Mike McShane narrates The Damned Rumony tale of a man who tries to impress his employer by claiming to have Mob connections.

12.20 Late Licence.

12.30 Viva Cabaret.

1.20 It's Roger Mollie: The Man on the Tally.

1.35 Herman's Head.

2.10 The Word.

3.10 Free.

4.00 Close.

CHANNEL 4

5.00 4-Tel On View, 6.35 Early Morning, 10.00 Tony Jacklin's Pro-Celebrity Golf, 11.00 Gazzetta Footbol Italia, 12.00 World Tennis, 12.30 pm Islamic Conversations.

1.00 Film: Laughter in Paradise. Alfonso Saramago and George Cole stars in this comedy tale about a deceased joker's four legacies - each with a sting in its tail (1981).

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REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

ANGLIA:

1.05 Anglia News, 1.40 Knight Rider, 4.25 Anglia News, 5.00 Sport, 6.10 Anglia Weather, 11.30 Order by Innocence (1985).

BORDERS:

1.05 Border News, 1.40 Superstars of Wrestling, 2.20 Rockport, 5.00 Border News and Weather, 11.30 Order by Innocence (1985).

CENTRAL:

12.30 America's Top 10, 1.05 Central News, 1.40 Motorway, 2.00 Motorway, 2.10 WCVN Weather, 4.20 Central News, 5.00 The Central Match - Goals Extra, 6.10 Local Weather, 11.30 Express to Terror (1979).

CHANNEL:

12.30 Head, 1.05 Channel Daily, 1.40 Sat. the Week, 2.00 Channel News, 2.10 Channel's League Special.

GRANADA:

1.05 Granada News, 1.40 Superstars of Wrestling, 2.20 Rockport, 4.25 Granada News 5.00 Cartoon, 7.15 Order by Innocence (1985).

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12.30 The Great Bong, 1.05 HTV News, 1.40 Sat. the World, 2.10 Movies, Games and Videos, 5.00 HTV News, 6.30 HTV Weather, 11.30 Order by Innocence (1985).

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Dat V



How sad it is to have to confirm that, on the sporting field, from the sweltering cricket pitches of Jamaica to the icy rinks of Norway, Britain has become not just a nation of losers, but a nation of bad losers.

Of the reports in yesterday's newspapers of the England cricket team's loss to the West Indies, on average about two-thirds of the space was given over to whingeing about the allegedly unfair treatment meted out to Devon Malcolm (England) by Courtney Walsh (West Indies). For those of you who, perhaps wisely, have avoided reading these interminable moans, the simple fact involved is that the West Indian fast bowler subjected the least able English batsman to a

Gentlemen, players – and bad losers

Dominic Lawson wonders why the British whined so when Torvill and Dean were beaten

series of short-pitched deliveries, during which the Englishman scored 18 runs and, in return, took four blows to his body.

Among the English commentators who have rushed to denounce Walsh is Bob Willis. Now Willis was for many years England's most destructive fast bowler, and by no means averse to a bit of intimidation, especially against the weakest international opposition. Willis has perhaps forgotten the time one of his well-directed bouncers removed some of the teeth of Iqbal Qasim, then the undisputed rabbit of the Pakistani team.

The whining behaviour of the English press, not all of whom, at least, could be accused of hypocrisy, is particularly unappealing, given Malcolm's own response: "It's just part of the game," he said, adding with the sort of stoicism that we associate with the English gentleman: "It's only pain."

That is where the debate should have ended. But instead the bad losers of the sporting press carried their whingeing on to the front pages. This time the target was the group of men and women who judged the ice dance competition at

the winter Olympics.

Apparently it was inconceivable to the 23m people who watched the competition on BBC Television that the British couple, Torvill and Dean, could have failed to win. After all, 23m people would not be watching something as fatuous as an ice dancing competition, unless it were to see an English couple winning. So it must have been a conspiracy by foreign judges that prevented the rightful and predicted English victory. And, conveniently, it was a German judge who gave the lowest marks to the English couple.

It did not take many commentators long to recall that it was a German referee who "robbed" the English football team in its World Cup qualifying match against the Netherlands last year.

Ice dancing is a completely bogus sport, particularly as an Olympic event. Let these bland looking couples do their dances on the ice if they must, but let us not pretend that it is possible objectively to decide, in the precise order of one to 20, which of them is best, second best, third best, and so on. Still less should we believe that the public, and its cheer-leaders in the press,

are capable of distinguishing precisely between the merits of Torvill and Dean as opposed to those of Grichichuk and Platov, and Useva and Zhulin, the Russian pairs who gained the gold and silver medals. I doubt whether more than a tiny proportion of the 23m viewers could now remember even the names of the winning Russian couple. But I do wonder why we British have become so consistently bad sporting losers. Perhaps it is simply that we have recently had a lot of practice at it. Or perhaps there is some more profound reason.

When Britain was a pre-eminent economic and political power it mattered relatively little whether we also ruled the sporting world. When you are controlling a third of the world's population you can afford to be a little generous on the sporting field.

Even when we failed to win, we knew Britain was still the greatest nation on earth, and no mere loss of a cricket game could change that. And if the other side used unfair methods, that merely confirmed British superiority. But now that the pattern of world affairs leaves us with no special place in the sun, we have become petulant and bad tempered. And as children of the welfare state, we are very much at home with the thought that whatever goes wrong is always someone else's fault.

■ Dominic Lawson is editor of The Spectator

Private View/Christian Tyler

The taming of a lion of literature



Tony Andrews

The 1930s – Berlin, Spain, socialism and homosexual love – defined him. The 1940s have enshrined him, a relic of his age, the surviving limb of the poetic quadruped that Roy Campbell called MacSpaunday – MacNeice, Spender, Auden and Day-Lewis.

What happened in between? Stephen Spender, 85 years old on Monday and with a rare volume of new poems to mark the event, says that somewhere around the middle of his life he became domesticated.

"I think I got so much involved in things largely to do with earning money and supporting my family," he said. "I can't look back on my last 40 years as a kind of legendary, private, personal thing."

Do you mean you've been too successful for a poet? Too suburban?

"Yes, very bourgeois. Too much so, I think. And I regret that, very much, I wasn't when I was young, because I went to Spain during the civil war and lived with a friend of mine, a working-class friend." (He means the youth he called Jimmy Younger in his 1951 autobiography.)

"And I don't go to pubs. I often think my life would be much richer if only I'd gone to pubs all the time."

Why do you say that?

"Because I think this a very limited existence and a limited view of existence. One has to realise that self-interest is a very high priority: one's standard of living becomes a very high priority, you see. But that is all to do with family... Then friends have been very important."

The young idealist who used to talk of "going over to the proletariat" has lived in a rented villa in fashionable St John's Wood, London, since 1945. The house is painted blue, inside and out. There he lives with his second wife (his first marriage was brief), Natasha Litvin, a Russian pianist. They have a son who paints and a daughter who writes: she is married to the female impersonator Barry Humphries, which makes Spender Dame Edna Everage's father-in-law.

I asked him if the bourgeoisie life had been bad for his writing. "My writing would probably

be different. I don't think it's really bad for my writing. I mean, I think in a way my poetry is all one long poem. And I think – I hope – that it's moved outwards from being about myself, discovering my own identity, partly into discovering other people's and partly about the historic period we've lived in. That's extremely important, isn't it?"

There's something very unreal about middle-class life today. You can sit eating a lamb cutlet and you have television on and you see a child in Asia somewhere starving to death in front of one's eyes, or people being murdered.

What do you do? Do you stop eating the lamb chop, do you turn off the television?

He laughed, tickled by the dilemma. "I think you somehow have to go on... facing the lamb chop and thinking, well, this is my life."

He has written about the dreadful events of his century, but thinks a writer cannot enter in too far. "I mean, the real experience today is the 10 seconds before someone is murdered, in the concentration camps or something like that.

"What do you do? Do you stop eating the lamb chop, do you turn off the television?" He laughed, tickled by the dilemma.

Spender seems gentle, naive and vulnerable. He is a lot tougher than he looks. I mentioned his string of appointments, especially in the US, and asked: Have you helped create your own world of success?

"That's exactly what was on my lips." He laughed delightedly.

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